



# Houston County Commission

## Houston County, Alabama

October 1, 2023 through September 30, 2024

Filed: October 17, 2025

ALABAMA DEPARTMENT OF  
**EXAMINERS** of Public Accounts

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





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**Examiners of Public Accounts**

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Rachel Laurie Riddle  
*Chief Examiner*

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

Dear Madam:

An audit was conducted on the Houston County Commission, Houston County, Alabama, for the period October 1, 2023 through September 30, 2024, by Examiners Alyssa Barnes, Brett Hataway and Megan Salter. I, Megan Salter, 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,

*Megan Salter*

Megan Salter  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Houston County Commission  
October 1, 2023 through September 30, 2024**

The Houston County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Houston County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 16. 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 Houston County.

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

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

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 16, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Peter B. Covert, Chief Administrative Officer and Commissioner James Ivey. Representing the Department of Examiners of Public Accounts were Netteah K. Anderson, Audit Manager; Megan Salter, Examiner; Alyssa Barnes, Examiner; and Brett Hataway, Examiner.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Houston County Commission and Chief Administrative Officer  
Dothan, Alabama

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

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Houston County Commission, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Houston County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Houston 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.

We did not audit the financial statements of the Houston County Water Authority, which reflect 100% of the assets, net position, and revenues of the discretely presented component unit as of September 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Houston County Water Authority, is based solely on the report of the other auditors.

#### **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 Houston County Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

As discussed in Note 15 to the financial statements, the Houston County Commission adopted new accounting guidance, GASB Statement Number 100, ***Accounting Changes and Error Corrections***. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of 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 of material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- ◆ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Houston 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 Houston County Commission's ability to continue as a going concern for a reasonable period of time.

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

#### **Required Supplementary Information**

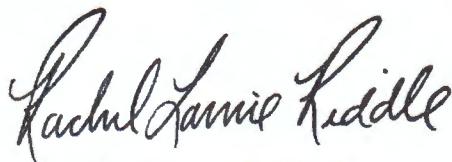
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Net Other Postemployment Benefits (OPEB) Liability, the Schedules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

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Houston County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 15), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated September 17, 2025, on our consideration of the Houston 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 Houston 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 Houston County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

September 17, 2025

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*Management's Discussion and Analysis  
(Required Supplementary Information)*

## **Management's Discussion and Analysis**

The Houston County Commission's discussion and analysis is a narrative overview that is designed to assist the reader in reviewing significant financial issues and activities of the County. The reader should also be able to identify the changes in the County's financial position and analyze the ability of the County to meet future challenges.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the Houston County Commission for the fiscal year ended September 30, 2024. Please consider the information contained in this MD&A in conjunction with the County's financial statements for the same period. The MD&A report is required under Governmental Accounting Standards Board's (GASB) Statement Number 34, and includes comparisons of government-wide data to prior years.

### **Financial Highlights**

- Houston County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2024 by \$32,545,595.
- The County's revised total net position increased by \$10,039,328.02 or 44.61%. A detailed explanation of this increase can be seen on the fourth (4) page of this Management Discussion and Analysis.
- At the end of the current fiscal year Houston County's General Fund reported a combined ending net position of \$18,673,819, an increase of \$7,926,718 or 73.76% from the prior year.
- At the end of the current fiscal year Houston County's Total Governmental Funds reported combined ending net position of \$26,427,987, an increase of \$4,996,993 or 23.32% from the prior year.
- Governmental Fund Revenues for the current fiscal year were \$72,016,157 and were above current Expenditures of \$71,242,970 by \$773,187. (See Exhibit #5).
- Total general long-term debt for Houston County decreased by \$46,830 or .08% from the prior year. Total long-term debt is now \$56,819,056.

## **Overview of the Financial Statements**

This Management's Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are made up of the following components:

- Government-wide financial statements
- Fund financial statements
- Fiduciary funds statements
- Notes to the financial statements

This report also contains additional information that is relevant to the County's financial position.

### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with an overview of the County's finances in a manner similar to those used by the private-sector businesses. The statement of net position includes all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position*. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. To properly evaluate the overall health of the County you may need to consider other non-financial factors such as changes in the County's property tax base and the condition of the County's infrastructure, buildings and other facilities.

The *Statement of Activities* presents information focused on both gross and net costs and shows how the County's net position changed during the current fiscal year. This statement is intended to summarize and simplify the reader's analysis of cost of various governmental services and/or subsidy to various business-type activities. The governmental activities include most of the County's basic services including general government, public safety, highways and roads, sanitation, health and welfare, cultural and recreational, and education. The funding of these activities comes primarily from property taxes, sales taxes, gasoline taxes, and other miscellaneous revenues and charges for services.

## Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements more familiar. Fund financial statements provide more detailed information about the County's funds, focusing on its major funds rather than the County as a whole. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Houston County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental and fiduciary are the two categories of fund types used to keep track of specific sources of funding and spending on particular County programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *governmental activities* in the government-wide financial statements. In doing so readers may better understand the long-term impact of the County's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to aide in this comparison between *governmental funds* and *governmental activities*. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Most of the County's basic services are included in *governmental funds*. Unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows, outflows and balances of spendable resources*. The governmental fund statements provide a detailed short-term view of the County's operations and the basic services it provides. Governmental funds statements assist the reader in determining the short-term financial resources available to finance future programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in Exhibits 4 and 6 to reconcile the differences between them.

Houston County maintains many funds that are *governmental funds*. Separate information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the gasoline fund. These funds are deemed to be major funds. Data from the remaining funds are combined into a single aggregated presentation.

## Fiduciary Funds Statements

*Fiduciary funds* are funds in which the County is the trustee, or fiduciary, for assets that belong to others, such as the Law Library Fund. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong. All the County's fiduciary activities are reported in a separate statement of fiduciary net position (Exhibit 7) and a statement of changes in fiduciary net position (Exhibit 8). The activities of these funds are excluded from the government-wide financial statements because their assets are not available for use by the County to finance its operations.

## Notes to the Financial Statements

*Notes to the Financial Statements*, The notes provided in this report offer additional essential information to achieve a full understanding of the data provided in the government-wide and fund financial statements. The notes follow the exhibits contained in this report.

## Required Supplementary Information

*Required Supplementary Information* is expressed in exhibits 9 and 10, pension schedules, in exhibits 11 and 12, Other Post Employment Benefits schedules, and in exhibits 13 and 14, which are Budget to Actual comparisons of the governmental major funds of the County. Houston County adopts an annual appropriated budget for its General and Gasoline Tax funds. The comparison exhibits for this are presented to demonstrate compliance with the general budget.

## Government-wide Financial Analysis

The County governmental net position increased by \$10,039,328 during the current fiscal year. Management monitors net position because the variance is a useful indicator of the County's financial position. Houston County's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$32,545,595 as of the fiscal year ending September 30, 2024.

The following table reflects the condensed Statement of Net Position compared to the prior year.

### Statement of Net Position As of September 30, 2024

	Governmental Activities	
	2024	2023 (revised)
Current & Other Assets	\$58,626,447	\$61,007,104
Capital Assets	57,770,099	52,812,731
<b>Total Assets</b>	<b>116,396,546</b>	<b>113,819,835</b>
 <b>Deferred Outflows of Resources</b>	 9,103,566	 10,341,713
Current & Other Liabilities	12,223,807	23,546,574
Long-term Liabilities	54,541,741	52,541,986
<b>Total Liabilities</b>	<b>66,765,548</b>	<b>76,088,560</b>
 <b>Deferred Inflows of Resources</b>	 26,188,970	 25,566,721
 <b>Net Position:</b>		
Net Investment in Capital Assets	47,390,496	40,658,156
Unrestricted	(24,079,475)	(27,453,927)
Restricted	9,234,574	9,302,038
<b>Total Net Position</b>	<b>\$32,545,595</b>	<b>\$22,506,267</b>

The largest portion of Houston County's net position is in its capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. These assets are not available for future spending. The County uses capital assets to provide services to citizens. Although the County's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to pay for or liquidate these liabilities.

## Statement of Activities

The following schedule compares the revenues and expenses for the current year. Government activities increased the County's net position by \$10,039,328.

### Changes in Net Position As of September 30, 2024

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$11,983,892	\$11,980,900
Operating Grants and Contributions	19,368,633	15,777,120
Capital Grants and Contributions	22,437	88,578
General Revenues:		
Property Taxes for General Purposes	21,343,244	18,996,116
Property Taxes for Specific Purposes	1,060,963	874,822
General Sales Tax	12,324,094	12,135,949
Miscellaneous Taxes	1,065,921	1,169,846
Grants & Contributions Not Restricted for Specific Purpose	1,341,565	1,358,136
Donated Capital Assets	64,297	1,313,399
Interest Revenue	928,368	834,845
Miscellaneous	2,577,039	1,878,586
Gain (Loss) on Disposition of Capital Assets	1,746,754	1,873,948
<b>Total Revenues</b>	<b>\$73,827,208</b>	<b>\$68,282,245</b>
<b>EXPENSES</b>		
Program Activities:		
General Government	\$16,717,047	\$13,848,267
Public Safety	24,236,868	25,225,800
Highways & Roads	16,871,915	15,655,599
Sanitation	2,956,871	2,877,299
Health	1,051,884	940,629
Welfare	353,402	2,301,252
Culture & Recreation	385,411	396,276
Education	637,500	643,000
Intergovernmental	74,633	65,974
Interest and Fiscal Charges	502,349	487,311
<b>Total Expenses</b>	<b>\$63,787,880</b>	<b>\$62,441,407</b>
<b>Increase/(Decrease) in Net Position</b>	<b>\$10,039,328</b>	<b>\$5,840,838</b>

The County's total revenues at \$73,827,208.28 were up 36.51% vs. the prior year. Property taxes accounted for 30.35% of the total revenue of the County. Combined taxes represent 48.48% of the total revenue collected by the County for fiscal year ended September 30, 2024.

Expenses for all services of the County were \$63,787,880, which represented an increase of 2.16% above the prior year. Of these expenses, 26.21% were for General Government, 38.00% for Public Safety, and 26.45% for Highways and Roads.

### **Net Cost of Services**

The net cost of services is a comparison of the total cost for government functions and programs and the net cost remaining after reducing the total cost by the revenue generated from the specific function or program. For the current year total cost of services were \$63,787,880 an increase of 2.16% vs. prior year, and the combined charges for services plus operating and capital grants received were \$31,374,962 leaving a net cost to the County of \$32,412,918. The Net Cost represented a decrease from prior year of \$2,181,893 or 6.73%.

Charges for services amounted to \$11,983,892 an increase of .025% above the prior year, and grants and contributions totaled \$19,368,633 an increase of 22.76% from prior year. The charges for services are payments made by those who received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

<b>Function / Programs</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General Government	\$16,707,047	\$(5,931,049)
Public Safety	24,236,868	(18,102,816)
Highways and Roads	16,871,915	( 9,549,593)
Sanitation	2,956,871	435,232
Health	1,051,884	(941,847)
Welfare	353,402	(331,675)
Culture and Recreation	385,411	(379,420)
Education	637,500	(637,500)
Intergovernmental	74,633	5,090,511
Interest and Fiscal Charges	502,349	(502,349)
<b>Total Governmental Activities</b>	<b>\$63,787,880</b>	<b>\$(32,412,917)</b>

### **Financial Analysis of Fund Balances**

The financial performance of the County as a whole is reflected in its governmental funds. The total governmental funds balances at the end of the fiscal year increased from \$21,430,994 to \$26,427,987. As noted in the Budgetary Highlights shown below, this increase of \$4,996,993 or 23.32% comes primarily from the increase in the General Fund.

The following table provides a summary of the changes in fund balances of the County's major funds as well as the combined Other Governmental Funds.

Fund	Beginning Fund Balance	Net Increase or (Decrease)	Ending Fund Balance
General Fund	\$10,747,101	\$7,926,718	\$18,673,819
Gasoline Fund	2,267,403	(2,267,403)	0
Coronavirus Rescue Fund	0	0	0
2020B Bond Fund	0	0	0
Other Governmental Funds	8,416,489	(662,321)	7,754,168
<b>Totals</b>	<b>\$21,430,994</b>	<b>\$4,996,993</b>	<b>\$26,427,987</b>

## Highlights – Major Funds

- **General Fund**

As reflected in Exhibit 5, the ending General Fund balance was \$18,673,819. The majority of General Fund spending at 51.15% went toward Public Safety with 26.62% expended for General Government costs. Total revenues were \$49,041,290. Of the Total Revenues recorded by Houston County, Taxes amounted to 70.82% and Charges for Services were 18.12%.

- **Gasoline Tax Fund**

Fund balance for the Gasoline Fund decreased \$2,267,403 from the previous year. Exhibit 5 reflects the majority of the Gasoline Tax Fund revenues came from Intergovernmental sources, 76.40%. Total Gasoline Tax Fund expenditures were \$13,736,371 with 90.16% being spent on Highways and Roads and the balance, 9.30%, being spent on Capital Outlay and debt principal and interest payments, relating to equipment for Highways and Roads.

## Capital Asset and Debt Administration

Depreciation of assets other than land and construction in progress projects is recorded on an annual basis on the straight line method of depreciation.

The following table shows a reconciliation of capital assets for the year ended September 30, 2024.

<b>Capital Assets</b>	
<b>Total Capital Assets at October 1, 2023</b>	\$105,772,591
Infrastructure retroactive adjustments	0
Reclassification adjustments	0
Additions/Reclassifications	9,323,242
Retirements/Reclassifications	(2,046,692)
<b>Total Capital Assets at September 30, 2024</b>	<b>\$113,049,141</b>

The following table shows total assets before and after depreciation.

Governmental Activities	Value 9/30/24 before Depreciation	Value 09/30/24 After Depreciation
Land plus infrastructure in progress	\$8,724,483	\$8,724,483
Infrastructure	25,458,635	15,042,709
Buildings and Improvements	44,612,569	16,395,075
Equipment and Furniture	4,214,757	619,579
Automobile and Construction Equipment	30,038,697	16,988,253
Equipment Under Capital Leases	0	0
<b>Total Capital Assets</b>	<b>\$113,049,141</b>	<b>\$57,770,099</b>

## Debt Outstanding

At the end of September 2023, the County's general obligation warrants were \$11,920,000. The September 2024 general obligation warrants increased \$1,320,543, to a revised balance of \$11,955,543.

Notes from Direct Borrowing decreased from \$3,822,457 as of September 30, 2023 by \$724,988 to \$3,097,468 as of September 30, 2024.

The liability for compensated absences as of September 2024 was \$2,330,419. This is an increase of \$35,521 from the prior year.

The total of all general Long-term debt for the County as of September 30, 2024 was \$56,819,056, down by \$46,831 from the prior year ending balance of \$56,865,887. This was a decrease of 0.082%.

Based on the County's legal limits of debt at 5% of the net assessed value of property as of October 1, 2024, Houston County's net assessed property value was \$2,130,959,840. The maximum 5% debt limit was \$106,547,992. With total Long-term Warrants, Leases and Notes Payable as of the end of the current fiscal year being \$18,115,015, the County was at 17.00% of the current legal debt limit. This reflects a decrease from the prior year margin.

See the notes to the financial statements for a full breakdown of outstanding long term debt.

## Economic Factors

During the 2023-2024 budget year, the county derived 47.48% of revenues from taxes. There are two key factors related to the growth of tax revenue. First, the City of Dothan is a major business hub for our tri-state area (Georgia, Florida and Alabama). Houston County has historically had the highest per capita out-shopping (shoppers from outside Houston County) index in the State of Alabama. The 2005 out-shopper analysis conducted by Jacksonville University revealed that Houston County's index of 1.76 was the highest in the state with the next closest county being 1.34. This index indicates that Houston County is pulling in 1.76 purchasing dollars for each average dollar spent per capita in the state. Many people outside of Houston County are spending their dollars here and are paying sales taxes with their purchases.

Houston County has historically experienced a solid growth in the revenue generated from sales tax collections. Sales tax collections for the fiscal year ending September 30, 2024, increased 1.55% compared to the prior year. However, this is attributed to the global economic circumstances. Construction of new retail businesses in Houston County and the Wiregrass area continues to be positive with new expansions occurring each year.

Another economic factor that is critical to the continued growth of revenue from taxes is the change in population and the construction related to that change. Houston County's 2020 census was approximately 107,200, a growth of 5.57% vs. the 2010 population of approximately 101,500. With the addition of new retail stores in Houston County and continued population growth in the area, the economic growth and stability for the county appears positive in the foreseeable future.

With this growth, beginning in 2022, the State Department of Transportation has been investing in road infrastructure in the area. This major renovation is underway focusing on the primary throughfare in the area, Ross Clark Circle, and expected to be substantially completed by the Fall of 2025. This infrastructure project has already provided an influx of businesses, travelers, visitors, and the accompanying housing developments in the surrounding area to support this increase. The next census is expected to see an increase in population at least equal to the change experienced with the 2020 census.

The COVID-19 pandemic ("COVID-19 outbreak") has altered the way in which customers interact with business. On March 13, 2020, the President of the United States declared a national State of Emergency in response to the COVID-19 outbreak. Subsequently, on the same day, the Governor of Alabama declared a State of Emergency. In the weeks following these declarations, there were various State proclamation orders issued as a precautionary measure to slow the spread of this particular coronavirus. Chief among these measures included suspending government activities, closing public buildings, schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they were engaging in or required for an essential function.

Over the past few years, consumers have been returning to a more normal and customary, albeit mindful, interaction in public places in general as well as in commerce. As of the date of this report, the COVID-19 outbreak in Houston County does not appear to have a significant impact on the budgeted revenues for the current fiscal year, which are primarily from Ad Valorem taxes, Sales taxes, Motor Vehicle license fees and Vehicle Registration fees. However, it is unclear what, if any, the impact might be on the collection of these and other revenue sources next fiscal year due to the unknown long-term economic impact from the COVID-19 outbreak on the citizens of Houston County and the State of Alabama in general.

However, one of the outcomes from the COVID-19 outbreak has been the cultural shift from traditional store (brick and mortar) purchases to online purchases. This shift has continued over the last few years however it appears to be just a change in buying patterns and not buying volume. Statewide in Alabama, currently the sales tax rate for online purchases is lower than traditional purchases.

In the interest of public health and safety for both the citizens and employees, Houston County has and continues to incur some additional expenses in the current year as it remains mindful of the need to sanitize and disinfect county buildings and areas of public contact. It is expected that these costs may need to be continued into the foreseeable future.

The County government's future financial operations may be impacted by this COVID-19 outbreak, however, the duration and extent of its effects are indeterminable at this time.

On March 11, 2021, Congress passed and the President signed into law the American Rescue Plan Act (“ARPA”) and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Funds, which together make up the Coronavirus State and Local Fiscal Recovery Funds (“SLFRF”) program. This program is intended to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses.

Houston County has been identified as a recipient under the SLFRF program. As such, Houston County received just over \$20,000,000 issued in two tranches. The first tranche of over \$10,000,000 was received in May 2021 and the second was received during June 2022.

In addition to the usual and customary restrictions and reporting requirements surrounding the use of Federal funds, the US Treasury has issued its Final Rule regarding additional reporting requirements and restrictions over these funds which includes what are deemed to be Eligible Use projects. These Eligible Uses fall into four basic categories:

- 1) To respond to the COVID-19 public health emergency or its negative economic impacts;
- 2) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to such eligible workers of the recipient, or by providing grants to eligible employers that have eligible workers who performed essential work;
- 3) For the provision of government services, to the extent of the reduction in revenue of such recipient due to the COVID-19 public health emergency, relative to revenues collected in the most recent full fiscal year of the recipient prior to the emergency; and
- 4) To make necessary investments in water, sewer, or broadband infrastructure.

These funds are to be either expended or committed by December 31, 2024 or, if committed by that date, need to be expended by December 31, 2026.

Houston County has evaluated the County's needs regarding which of these potential Eligible Use Projects have the highest priority and greatest impact on the citizens of the County. These potential projects have been identified and these Federal funds have been fully committed with the majority of these funds being spent as of September 2024 primarily on water and sewer projects in the County.

## **Financial Information Contact**

The County's financial statements are designed to provide our citizens, taxpayers, customers, creditors and readers with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions about the report or need additional financial information, contact the Chief Administrative Officer at 462 North Oates Street, Dothan, Alabama, 36303. The office is located on the 6th floor of the County Administration building.

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# *Basic Financial Statements*

# ***Statement of Net Position***

## ***September 30, 2024***

	Governmental Activities	Component Unit
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash	\$ 33,622,423.29	\$ 113,635.00
Cash With Fiscal Agent	453,001.02	
Receivables (Note 4)	2,990,694.11	419,986.00
Note Receivable (Note 14)	104,393.95	
Ad Valorem Taxes Receivable	19,479,935.77	
Prepaid Items	229,068.96	
Total Current Assets	<u>56,879,517.10</u>	<u>533,621.00</u>
<b><u>Noncurrent Assets</u></b>		
Note Receivable (Note 14)	1,746,929.91	
Restricted Cash - Bond Reserves		1,271,654.00
Capital Assets (Note 5):		
Nondepreciable	8,724,483.70	
Depreciable, Net	49,045,615.65	12,329,357.00
Total Noncurrent Assets	<u>59,517,029.26</u>	<u>13,601,011.00</u>
Total Assets	<u>116,396,546.36</u>	<u>14,134,632.00</u>
<b><u>Deferred Outflows of Resources</u></b>		
Loss on Refunding of Debt	183,482.05	
Employer Pension Contributions	2,101,677.43	14,484.00
Deferred Outflows Related to Other Postemployment Benefits	792,932.00	
Deferred Outflows Related to Net Pension Liability	6,025,475.00	205,620.00
Total Deferred Outflows of Resources	<u>9,103,566.48</u>	<u>220,104.00</u>
<b><u>Liabilities</u></b>		
<b><u>Current Liabilities</u></b>		
Payables (Note 9)	3,725,379.85	36,171.00
Unearned Revenue	5,464,131.04	
Accrued Wages Payable	702,577.43	
Customer Deposits		16,015.00
Accrued Interest Payable	54,403.34	53,597.00
Current Portion of Long-Term Debt:		
Warrants Payable	1,490,753.13	
Warrant from Direct Placement	104,393.95	
Add: Unamortized Premium	159,680.34	
Bonds Payable		220,000.00
Note Payable		32,675.00
Notes from Direct Borrowing	289,446.20	
Compensated Absences	233,041.91	
Total Current Liabilities	<u>\$ 12,223,807.19</u>	<u>\$ 358,458.00</u>

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

	Governmental Activities	Component Unit
<b><u>Noncurrent Liabilities</u></b>		
Noncurrent Portion of Long-Term Debt:		
Warrants Payable	\$ 10,464,789.87	\$
Warrant from Direct Placement	1,746,929.91	
Bonds Payable		8,806,883.00
Add: Unamortized Premium	1,050,999.63	
Notes from Direct Borrowing	2,808,022.07	
Compensated Absences	2,097,377.17	
Total OPEB Liability	10,340,412.00	
Net Pension Liability	26,033,210.00	413,848.00
Total Noncurrent Liabilities	<u>54,541,740.65</u>	<u>9,220,731.00</u>
Total Liabilities	<u>66,765,547.84</u>	<u>9,579,189.00</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	19,479,935.77	
Revenue Received in Advance - Motor Vehicle Taxes	1,010,018.32	
Deferred Inflows Related to Other Postemployment Benefits	5,068,088.00	
Deferred Inflows Related to Net Pension Liability	630,928.00	
Total Deferred Inflows of Resources	<u>26,188,970.09</u>	
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	47,390,496.21	3,267,799.00
Restricted for:		
Sanitation	940,095.20	
Highways and Roads	3,577,039.02	
Capital Projects	453,004.00	
Other Purposes	4,264,435.18	1,271,654.00
Unrestricted	<u>(24,079,474.70)</u>	<u>236,094.00</u>
Total Net Position	<u>\$ 32,545,594.91</u>	<u>\$ 4,775,547.00</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	Component Unit
<b>Primary Government Governmental Activities:</b>						
General Government	\$ 16,717,046.94	\$ 5,298,661.44	\$ 5,487,336.35	\$ (5,931,049.15)	\$ (18,102,816.33)	
Public Safety	24,236,867.88	2,970,237.08	3,163,814.47		(9,549,593.17)	
Highways and Roads	16,871,915.47	229,299.80	7,093,022.50		435,232.15	
Sanitation	2,956,870.54	3,392,102.69			(941,847.10)	
Health	1,051,884.10	87,600.00		22,437.00	(331,674.75)	
Welfare	353,401.80		21,727.05		(379,420.25)	
Culture and Recreation	385,411.25	5,991.00			(637,500.00)	
Education	637,500.00				3,528,099.93	
Intergovernmental	74,633.08		3,602,733.01		(502,349.20)	
Interest and Fiscal Charges	502,349.20					
Total Primary Government/Governmental Activities	63,787,880.26	11,983,892.01	19,368,633.38	22,437.00	(32,412,917.87)	
<b>Component Unit:</b>						
Houston County Water Authority	1,586,294.00	1,583,214.00	4,255,950.00		4,252,870.00	
Total	\$ 65,374,174.26	\$ 13,567,106.01	\$ 23,624,583.38	\$ 22,437.00	(32,412,917.87)	4,252,870.00
<b>General Revenues:</b>						
Taxes:						
Property Taxes for General Purposes					21,343,244.43	
Property Taxes for Specific Purposes					1,060,963.34	
General Sales Tax					12,324,093.78	
Miscellaneous Taxes					1,065,921.19	
Grants and Contributions Not Restricted for Specific Purposes					1,341,565.02	
Gain on Sale of Capital Assets					1,746,754.23	
Donated Capital Assets					64,297.00	
Interest Revenue					928,368.04	57,369.00
Miscellaneous					2,577,038.86	48,428.00
Total General Revenues					42,452,245.89	105,797.00
Change in Net Position					10,039,328.02	4,358,667.00
Net Position - Beginning of Year					22,506,266.89	416,880.00
Net Position - End of Year					\$ 32,545,594.91	\$ 4,775,547.00

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	American Rescue Plan Act Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 19,649,086.03	\$ 1,431,392.73	\$ 4,111,897.84	\$ 8,430,046.69	\$ 33,622,423.29
Cash With Fiscal Agent	453,001.02				453,001.02
Receivables (Note 4)	1,684,834.48	454,551.68		851,307.95	2,990,694.11
Note Receivable (Note 14)	104,393.95				104,393.95
Ad Valorem Taxes Receivable	18,191,876.07			1,288,059.70	19,479,935.77
Prepaid Items	172,405.96	50,607.18		6,055.82	229,068.96
<b>Total Assets</b>	<b>40,255,597.51</b>	<b>1,936,551.59</b>	<b>4,111,897.84</b>	<b>10,575,470.16</b>	<b>56,879,517.10</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Payables (Note 9)	1,785,553.75	1,755,818.83	109,281.02	74,726.25	3,725,379.85
Unearned Revenue	36,000.00		4,002,616.82	1,425,514.22	5,464,131.04
Accrued Wages Payable	500,101.06	169,473.98		33,002.39	702,577.43
Estimated Liability for Compensated Absences	58,229.30	11,258.78			69,488.08
<b>Total Liabilities</b>	<b>2,379,884.11</b>	<b>1,936,551.59</b>	<b>4,111,897.84</b>	<b>1,533,242.86</b>	<b>9,961,576.40</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Property Taxes	18,191,876.07			1,288,059.70	19,479,935.77
Revenue Received in Advance - Motor Vehicle Taxes	1,010,018.32				1,010,018.32
<b>Total Deferred Inflows of Resources</b>	<b>19,201,894.39</b>			<b>1,288,059.70</b>	<b>20,489,954.09</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid Items	172,405.96			6,055.82	178,461.78
Restricted for:					
Public Safety	76,418.53			1,160,259.59	1,236,678.12
Highways and Roads				3,577,039.02	3,577,039.02
Capital Projects	453,004.00				453,004.00
Sanitation	940,095.20				940,095.20
Office of Sheriff				2,183,741.34	2,183,741.34
Office of Revenue Commissioner				59,778.64	59,778.64
Office of Judge of Probate	16,943.89			766,668.61	783,612.50
Other Purposes				624.58	624.58
Unassigned	17,014,951.43				17,014,951.43
<b>Total Fund Balances</b>	<b>18,673,819.01</b>			<b>7,754,167.60</b>	<b>26,427,986.61</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 40,255,597.51</b>	<b>\$ 1,936,551.59</b>	<b>\$ 4,111,897.84</b>	<b>\$ 10,575,470.16</b>	<b>\$ 56,879,517.10</b>

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

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***Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position***  
***September 30, 2024***

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Total Fund Balances - Governmental Funds (Exhibit 3) \$ 26,427,986.61

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. These assets consist of:

Capital Assets, Net (Note 5) 57,770,099.35

A portion of the note receivable is not due and payable in the current period. Therefore, it is not reported in the governmental funds. 1,746,929.91

The loss on refunding of debt is reported as deferred outflows of resources and is not available to pay for current period expenditures and, therefore, is deferred on the Statement of Net Position. 183,482.05

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

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year
Warrants Payable	\$ 1,490,753.13	\$ 10,464,789.87
Add: Unamortized Premium	159,680.34	1,050,999.63
Warrant from Direct Placement	104,393.95	1,746,929.91
Notes from Direct Borrowing	289,446.20	2,808,022.07
Accrued Interest Payable	54,403.34	
Compensated Absences	163,553.83	2,097,377.17
Net Pension Liability		26,033,210.00
Net OPEB Liability		10,340,412.00
Total Long-Term Liabilities	\$ 2,262,230.79	\$ 54,541,740.65 (56,803,971.44)

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

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Deferred outflows and inflows of resources related to the pension plan and the other postemployment benefits plan are applicable to future periods and, therefore, are not reported in the governmental funds:

Deferred Outflows of Resources - Employer	
Pension Contributions	\$ 2,101,677.43
Deferred Outflows of Resources Related to OPEB	792,932.00
Deferred Outflows Related to Pension Plan	
Related to Net Pension Liability	6,025,475.00
Deferred Inflows Related to OPEB	(5,068,088.00)
Deferred Inflows Related to Pension Plan	<u>(630,928.00)</u>
	3,221,068.43
Total Net Position - Governmental Activities (Exhibit 1)	<u>\$ 32,545,594.91</u>

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## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the Year Ended September 30, 2024

	General Fund	Gasoline Tax Fund	Formerly Major Fund ARPA Revenue Replacement Fund	American Rescue Plan Act Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 34,731,347.87	\$ 84,245.51	\$	\$ 978,629.36	\$ 35,794,222.74	
Licenses and Permits	170,399.09	103,967.22			274,366.31	
Intergovernmental	3,068,804.50	3,647,517.54		3,602,733.01	9,817,348.02	20,136,403.07
Charges for Services	8,884,373.81				2,471,273.49	11,355,647.30
Miscellaneous	2,186,364.53	938,633.09		222,360.06	1,108,159.95	4,455,517.63
Total Revenues	49,041,289.80	4,774,363.36		3,825,093.07	14,375,410.82	72,016,157.05
<b>Expenditures</b>						
Current:						
General Government	10,795,682.05			3,602,733.01	1,307,410.15	15,705,825.21
Public Safety	20,741,403.70				2,365,013.66	23,106,417.36
Highways and Roads		12,384,808.80			3,000,091.02	15,384,899.82
Sanitation	2,543,814.74					2,543,814.74
Health	1,050,072.40					1,050,072.40
Welfare	350,785.81					350,785.81
Culture and Recreation	385,411.25					385,411.25
Education	637,500.00					637,500.00
Capital Outlay	3,268,066.39	1,009,456.91			4,981,421.13	9,258,944.43
Debt Service:						
Principal Retirement	562,024.56	263,107.48			1,285,000.00	2,110,132.04
Interest and Fiscal Charges	214,928.72	4,365.01			415,240.58	634,534.31
Intergovernmental		74,633.08				74,633.08
Total Expenditures	40,549,689.62	13,736,371.28		3,602,733.01	13,354,176.54	71,242,970.45
Excess (Deficiency) of Revenues Over Expenditures	8,491,600.18	(8,962,007.92)		222,360.06	1,021,234.28	773,186.60
<b>Other Financing Sources (Uses)</b>						
Transfers In	2,945,156.24	5,808,142.09			1,700,240.58	10,453,538.91
Sale of Capital Assets	2,016,801.00	886,462.50				2,903,263.50
Proceeds from Long-Term Debt Issued	1,320,543.00					1,320,543.00
Transfers Out	(6,847,382.67)		(222,360.06)	(3,383,796.18)	(10,453,538.91)	
Total Other Financing Sources (Uses)	(564,882.43)	6,694,604.59	(222,360.06)	(1,683,555.60)	4,223,806.50	
Net Change in Fund Balances	7,926,717.75	(2,267,403.33)		(662,321.32)	4,996,993.10	
Fund Balances - Beginning of Year, as Previously Reported	10,747,101.26	2,267,403.33			8,416,488.92	21,430,993.51
Change Within Financial Reporting Entity (Major to Nonmajor Fund)						
Fund Balances - Beginning of Year, as Adjusted (Note 15)	10,747,101.26	2,267,403.33			8,416,488.92	21,430,993.51
Fund Balances - End of Year	\$ 18,673,819.01	\$	\$	\$ 7,754,167.60	\$ 26,427,986.61	

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

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***Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2024***

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Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 4,996,993.10

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

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

Capital Outlay Expenditures	\$ 9,258,944.43	
Depreciation Expense	<u>(3,209,364.00)</u>	6,049,580.43

In the Statement of Revenues, Expenditures and Changes in Fund Balances, revenues that are associated with notes receivable are recorded on the modified-accrual basis of accounting (i.e. when they are both measurable and available). In the Statement of Activities, revenues are recorded when earned based on the full accrual basis using the economic resources measurement focus. (104,393.95)

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 change in net position differs from the change in fund balances by the book value of the capital assets sold.

Proceeds from the Sale of Capital Assets	\$ (2,903,263.50)	
Gain on Disposition of Capital Assets	<u>1,746,754.23</u>	(1,156,509.27)

The fair market value of donated capital assets is reported as revenue in the Statement of Activities; however, they are not reported in the governmental funds. 64,297.00

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

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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/Incurred:

Notes from Direct Borrowing	\$ (1,320,543.00)
Repayments:	
Warrants Payable	1,285,000.00
Warrant - Direct Placement	100,143.74
Notes from Direct Borrowing	<u>724,988.30</u>
	789,589.04

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

Amortization of Deferred Loss on Refunding	\$ (30,105.91)
Amortization of Deferred Premiums	159,680.34
Net Increase in Compensated Absences	(35,521.05)
Net Decrease in Accrued Interest Payable	2,610.68
Net Increase in Pension Expense	(2,217,394.39)
Net Decrease in OPEB Expense	<u>1,520,502.00</u>
	(600,228.33)
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 10,039,328.02</u>

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

	<b>Custodial Funds</b>
<b><u>Assets</u></b>	
Cash	\$ 2,627,289.29
Due from External Parties	61,875.76
Total Assets	<u>2,689,165.05</u>
<b><u>Liabilities</u></b>	
Due to External Parties	759,001.05
Accrued Wages Payable	1,195.57
Total Liabilities	<u>760,196.62</u>
<b><u>Net Position</u></b>	
Held in Trust for Individuals, Organizations and Other Governments	1,928,968.43
Total Net Position	<u>\$ 1,928,968.43</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***

	<b>Custodial Funds</b>
<b>Additions</b>	
Taxes	\$ 47,206,465.87
Intergovernmental	60,744.00
Charges for Services	7,940,925.62
Miscellaneous	1,194,284.28
Total Additions	<u>56,402,419.77</u>
<b>Deductions</b>	
General Administrative Expenses	1,072,778.85
Taxes Paid to Other Entities	47,206,465.87
Fees and Licenses Paid to Other Entities	6,018,349.64
Payments to Beneficiaries	1,766,262.61
Other	213,821.20
Total Deductions	<u>56,277,678.17</u>
Changes in Net Position	124,741.60
Net Position - Beginning of Year	<u>1,804,226.83</u>
Net Position - End of Year	<u>\$ 1,928,968.43</u>

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

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

### ***For the Year Ended September 30, 2024***

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

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

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

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

Based on the application of the above criteria, the Houston County Water Authority (the “Authority”) has been included in the accompanying financial statements as a discretely presented component unit. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate. The Authority was established to create a clean water supply and increase fire protection for the residents of Houston County. Its primary source of revenue is from sales of water to its customers. The Commission entered into an agreement with the Authority, providing that the Commission would be obligated to pay certain debt service payments in the event that the Authority did not have funds available to pay the debt.

#### **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.

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

### ***For the Year Ended September 30, 2024***

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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.

#### **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, county sales tax, and other revenues collected by the State of Alabama and shared with the Commission. This fund is used to account for the expenditure of the proceeds of the Series 2020-B debt issuance. Also accounted for in the General Fund are property taxes, motor vehicle taxes, and county casual sales tax for the Public Building, Roads, and Bridges Fund. A portion of these funds is transferred to debt service funds for debt payments. The General Fund also includes sub-funds, which account for payroll transfers and expenses.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the Commission's share of the statewide 7-cent gasoline tax, motor vehicle license and registration fees-base amount, mineral severance tax, and Walden gasoline tax. Revenues are earmarked for building and maintaining county roads.
- ◆ **American Rescue Plan Act Fund** – This fund is used to account for the expenditure of the American Rescue Plan Act of 2021 ("ARPA") revenues received by the Commission, excluding the revenue replacement portion.

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

### ***For the Year Ended September 30, 2024***

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

#### **Governmental Fund Types**

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

The Commission reports the following fiduciary fund type:

#### **Fiduciary Fund Type**

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

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

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

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

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

### ***For the Year Ended September 30, 2024***

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

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is 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 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. Amounts invested with fiscal agent are reported at market value.

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2024*

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Receivables in the General Fund also include sanitation receivables which are amounts due from customers at September 30th. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, amounts due from the State for gasoline taxes, court fees, money from municipalities for feeding of prisoners, and other miscellaneous items.

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

#### **3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **4. Restricted Assets**

Warrant proceeds, as well as certain resources set aside for the repayment of general obligation warrants that are included in cash and cash with fiscal agent on the balance sheet are considered restricted assets because they are maintained separately, and their use is limited by applicable warrant covenants.

The Authority's restricted assets are cash whose use is limited by legal requirements. Restricted cash with a fiscal agent represents amounts required by debt covenant to be segregated for debt payment and accrued interest on the bonds.

#### **5. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental activities column 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. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term plus any upfront payments and ancillary charges paid to place the leased asset in service. 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2024*

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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
Buildings	\$ 5,000	40 Years
Equipment and Furniture	\$ 5,000	5 – 10 Years
Roads	\$250,000	20 Years
Bridges	\$ 50,000	40 Years
Automobiles	\$ 5,000	5 Years
Construction Equipment	\$ 5,000	10 – 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.

All capital assets of the Authority are capitalized at cost and updated for additions and retirements during the year. The Authority maintains a capitalization threshold of \$500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. These assets are depreciated using the straight-line method over useful lives of 5, 7, 10, and 50 years.

#### **6. 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2024***

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**7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Warrant premiums are deferred and amortized over the life of the debt. Warrants payable are reported gross of the applicable warrant premium. Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums, as well as 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**8. Compensated Absences**

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

**Annual Leave**

After the first six months through the tenth year, each employee is credited 3.08 hours of annual leave for each of the twenty-six bi-weekly pay periods, ten (10) days per year of continuous employment. Upon the completion of the tenth year through the twentieth year, each employee is credited 4.62 hours of annual leave for each bi-weekly pay period, fifteen (15) days per year of continuous employment. Upon completion of the twentieth year and thereafter, each employee is credited 6.16 hours of annual leave for each bi-weekly pay period, twenty (20) days per year of continuous employment. Unused annual leave credits may be accumulated and carried over into successive years by employees up to a maximum of 240 hours. Upon separation or retirement, employees are paid for up to the maximum limit for accrued annual leave.

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

### ***For the Year Ended September 30, 2024***

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#### **Sick Leave**

Sick leave benefits with pay are provided for permanent full-time employees in the amount of twelve (12) workdays per fiscal year. All non-probationary, permanent full-time employees earn sick leave at a rate of 3.69 hours for each of the twenty-six bi-weekly pay periods of continuous employment. Unused sick leave credits may be accumulated and carried over into successive years by employees up to a maximum of 960 hours. All unused sick leave is forfeited upon separation and is not compensated to the employee; however, those employees who were hired into classified or unclassified positions before March 1, 1987, and who upon retirement have an accrued balance of sixty (60) days will be paid for one-half of that accrued balance, or thirty (30) days' pay, at the time of retirement.

#### **Compensatory Leave**

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Employees may accumulate up to eighty (80) hours maximum and are paid for compensatory leave in excess of the maximum hours stipulated. Compensatory leave is calculated at one and one-half times the regular hours.

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

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 upon retirement.

#### **9. Deferred Inflows of Resources**

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

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

### ***For the Year Ended September 30, 2024***

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

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

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

Fund balance measures the net financial resources available to finance expenditures of future periods. Under GASB Statement 54, fund balance is composed of the following:

- ◆ Nonspendable (Prepaid Items, etc.)
- ◆ Restricted (Gas Taxes, Grant Revenues, etc.)
- ◆ Committed (Jail Construction, Landfill Tipping Fees, Major Road Projects, etc.)
- ◆ Assigned (Law Enforcement, Minor Road Projects, etc.)
- ◆ Unassigned

Certain fund balance amounts are restricted in accordance with State and Federal laws and are generally held in Special Revenue Funds.

Fund balance of the County may be committed for a specific purpose by formal action of the Houston County Commission. Amendments or modifications of the committed fund balance must also be approved by formal action of the Houston County Commission.

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

### ***For the Year Ended September 30, 2024***

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Fund balance may also be assigned. When it is appropriate for fund balance to be assigned, the Commission delegates authority to the Commission Chairman or Chief Administrative Officer.

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

#### **E. Pensions**

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

#### **F. Postemployment Benefits Other than Pensions (OPEB)**

For the purposes of measuring the 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**

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund. The Gasoline Tax Fund budgets certain interfund reimbursements as transfers rather than reductions of expenditures (GAAP). All other governmental funds adopt budgets on the modified accrual basis of accounting with the exception of capital projects funds, which adopts project-length budgets. All appropriations lapse at fiscal year-end.

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

### ***For the Year Ended September 30, 2024***

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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.

Budgetary comparison information is presented in the Required Supplementary Information for all major funds, except for the American Rescue Plan Act Fund. The Commission has adopted project-length budgets for the American Rescue Plan Act Fund, as the Fund's eligible and intended use is for capital projects. Therefore, no budget was presented. Per the Final Rule, issued by the U. S. Department of the Treasury, effective April 1, 2022, for all eligible uses, recipients (the Commission) must obligate funds by December 31, 2024. Recipients (the Commission) must expend funds by December 31, 2026, for all other eligible uses.

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

##### **A. Deposits**

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

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

### ***For the Year Ended September 30, 2024***

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#### **B. Cash with Fiscal Agent**

The **Code of Alabama 1975**, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

As of September 30, 2024, the Commission has \$453,001.02 included in cash with fiscal agent which was invested in the Fidelity Treasury Only Portfolio. This money market fund has a weighted average maturity of 40 days and is rated AAA-mf by Moody's and AAAm by Standard & Poor's.

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

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

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

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have a formal policy that places limits on the amount the Commission may invest in any one issuer.

**Houston County Water Authority (the "Authority")** – The Authority's deposits, including certificates of deposit were fully insured or collateralized at September 30, 2024. At year-end, the carrying amount of the Authority's deposits was \$1,385,289. Bank balances totaled \$1,415,274. Of the total bank balance, \$250,000 was covered by Federal Depository Insurance. The remainder of \$1,165,274 was covered under the Security for Alabama Funds Enhancement (SAFE) Program. Each of the banks holding the Authority's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2024*

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The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- ◆ **Category 1** – Deposits which are insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
- ◆ **Category 2** – Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- ◆ **Category 3** – Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the Authority's cash deposits are classified as Category 1.

#### **Note 4 – Receivables**

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

Governmental Funds	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total
<b>Receivables:</b>				
Accounts Receivable	\$ 340,820.42	\$251,651.03	\$162,118.45	\$ 754,589.90
Sales Tax	903,116.34			903,116.34
Intergovernmental	440,897.72	202,900.65	689,189.50	1,332,987.87
<b>Total Receivables</b>	<b>\$1,684,834.48</b>	<b>\$454,551.68</b>	<b>\$851,307.95</b>	<b>\$2,990,694.11</b>

## **Notes to the Financial Statements**

### **For the Year Ended September 30, 2024**

Governmental funds report unearned revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At September 30, 2024, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Unearned
Funds Received from Real Estate Sales Contract	\$ 36,000.00
Grant Funds Received Prior to Meeting Eligibility Requirements – ARPA Revenue Replacement Funds	1,325,514.22
Grant Funds Received Prior to Meeting Eligibility Requirements – American Rescue Plan Act Funds	4,002,616.82
Grant Funds Received Prior to Meeting Eligibility Requirements – LATCF Funds	100,000.00
Total Unearned Revenue for Governmental Funds	<u>\$5,464,131.04</u>

#### **Note 5 – Capital Assets**

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

	Balance 10/01/2023	Additions	Retirements	Balance 09/30/2024
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,011,771.76	\$	\$ (412,500.00)	\$ 3,599,271.76
Construction In Progress	3,794,075.13	1,331,136.81		5,125,211.94
Total Capital Assets, Not Being Depreciated	<u>7,805,846.89</u>	<u>1,331,136.81</u>	<u>(412,500.00)</u>	<u>8,724,483.70</u>
Capital Assets Being Depreciated:				
Infrastructure	25,458,634.62			25,458,634.62
Buildings and Improvements	40,294,879.88	4,616,278.24	(298,589.27)	44,612,568.85
Equipment and Furniture	4,022,027.57	414,389.13	(221,659.60)	4,214,757.10
Automobiles and Construction Equipment	28,191,202.33	2,961,437.25	(1,113,942.86)	30,038,696.72
Total Capital Assets Being Depreciated	<u>97,966,744.40</u>	<u>7,992,104.62</u>	<u>(1,634,191.73)</u>	<u>104,324,657.29</u>
Less Accumulated Depreciation for:				
Infrastructure	(9,978,784.00)	(437,142.00)		(10,415,926.00)
Buildings and Improvements	(27,777,462.50)	(726,221.00)	286,190.00	(28,217,493.50)
Equipment and Furniture	(3,705,044.38)	(103,723.00)	213,589.60	(3,595,177.78)
Automobiles and Construction Equipment	(11,498,569.22)	(1,942,278.00)	390,402.86	(13,050,444.36)
Total Accumulated Depreciation	<u>(52,959,860.10)</u>	<u>(3,209,364.00)</u>	<u>890,182.46</u>	<u>(55,279,041.64)</u>
Total Capital Assets Being Depreciated, Net	<u>45,006,884.30</u>	<u>4,782,740.62</u>	<u>(744,009.27)</u>	<u>49,045,615.65</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,812,731.19</u>	<u>\$ 6,113,877.43</u>	<u>\$(1,156,509.27)</u>	<u>\$ 57,770,099.35</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
<b>Governmental Activities:</b>	
General Government	\$ 725,087.00
Public Safety	781,590.00
Highways and Roads	1,318,913.00
Sanitation	383,774.00
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$3,209,364.00</b>

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

	Balance 10/01/2023	Additions	Retirements	Balance 09/30/2024
<b>Fiduciary Fund Activities:</b>				
Capital Assets Being Depreciated:				
Equipment and Furniture	\$ 36,750.66	\$	\$	\$ 36,750.66
Total Capital Assets Being Depreciated	<u>36,750.66</u>			<u>36,750.66</u>
 Less Accumulated Depreciation for:				
Equipment and Furniture	(31,028.66)	(5,722.00)		(36,750.66)
Total Accumulated Depreciation	<u>(31,028.66)</u>	<u>(5,722.00)</u>		<u>(36,750.66)</u>
Fiduciary Fund Activities Capital Assets, Net	<u>\$ 5,722.00</u>	<u>\$ (5,722.00)</u>	\$	\$

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

	Balance 10/01/2023	Additions	Retirements	Balance 09/30/2024
<b>Component Unit:</b>				
Capital Assets, Not Being Depreciated:				
Construction In Progress	\$ 826,229.00	\$ 4,448,755.00	\$	\$ 5,274,984.00
Total Capital Assets, Not Being Depreciated	<u>826,229.00</u>	<u>4,448,755.00</u>		<u>5,274,984.00</u>
Capital Assets Being Depreciated:				
Water System	10,688,465.00	239,026.00		10,927,491.00
Equipment	731,878.00	105,119.00		836,997.00
Total Capital Assets Being Depreciated	<u>11,420,343.00</u>	<u>344,145.00</u>		<u>11,764,488.00</u>
Less Accumulated Depreciation for:				
Water System and Equipment	(4,377,801.00)	(332,314.00)		(4,710,115.00)
Total Accumulated Depreciation	<u>(4,377,801.00)</u>	<u>(332,314.00)</u>		<u>(4,710,115.00)</u>
Total Capital Assets Being Depreciated, Net	<u>7,042,542.00</u>	<u>11,831.00</u>		<u>7,054,373.00</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,868,771.00</u>	<u>\$ 4,460,586.00</u>	\$	<u>\$ 12,329,357.00</u>

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

### ***For the Year Ended September 30, 2024***

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#### **Note 6 – Defined Benefit Pension Plan**

##### **A. General Information about the Pension Plan**

###### **Plan Description**

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer 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](http://www.rsa-al.gov).

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

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

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

### ***For the Year Ended September 30, 2024***

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#### **Benefits Provided**

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a 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.

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## **Notes to the Financial Statements**

### **For the Year Ended September 30, 2024**

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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
<b>Total</b>	<b>113,079</b>

#### **Contributions**

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

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' member contribution rates 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.

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

### ***For the Year Ended September 30, 2024***

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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 Houston County Commission's active employee contribution rate was 7.46% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 9.25% of pensionable payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2024, was 9.54% of pensionable pay for Tier 1 employees, and 9.79% 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 \$2,101,677.43 for the year ended September 30, 2024.

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

The Houston County 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 of 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	\$62,936,613	\$65,199,407	\$65,199,407
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2022 through September 30, 2023	1,803,568	1,803,568	1,803,568
(d) Transfers Among Employers		461,031	461,031
(e) Actual Benefit Payments and Refunds for the period October 1, 2022 through September 30, 2023	(3,643,066)	(3,643,066)	(3,643,066)
(f) Total Pension Liability as of September 30, 2023 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	\$65,650,188	\$68,542,591	\$68,542,591
(g) Difference between Expected and Actual		\$ 2,892,403	
(h) Less Liability Transferred for Immediate Recognition		461,031	
(i) Difference between Expected and Actual – Experience (Gain)/Loss		<u>\$ 2,431,372</u>	
(j) Difference between Actual TPL Before and After Plan Changes – Benefit Change (Gain)/Loss			\$

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## ***Notes to the Financial Statements*** ***For the Year Ended September 30, 2024***

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### **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	

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2024*

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	15.00%	2.80%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stock	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%
Alternative	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

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

#### **Discount Rate**

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

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2024**

**C. Changes in Net Pension Liability**

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2022	\$62,936,613	\$37,451,767	\$25,484,846
<b>Changes for the Year:</b>			
Service cost	1,803,568		1,803,568
Interest	4,553,073		4,553,073
Differences between expected and actual experience	2,431,372		2,431,372
Contributions – employer		1,741,261	(1,741,261)
Contributions – employee		1,624,324	(1,624,324)
Net investment income		4,874,064	(4,874,064)
Benefit payments, including refunds of employee contributions	(3,643,066)	(3,643,066)	
Transfers among employers	461,031	461,031	
<b>Net Changes</b>	<b>5,605,978</b>	<b>5,057,614</b>	<b>548,364</b>
Balances at September 30, 2023	<u><u>\$68,542,591</u></u>	<u><u>\$42,509,381</u></u>	<u><u>\$26,033,210</u></u>

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

The following table presents the Commission's net pension liability calculated using the discount rate of 7.45%, as well as what the Commission's 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 Discount Rate (7.45%)	1% Increase (8.45%)
Commission's Net Pension Liability	\$34,273,983	\$26,033,210	\$19,116,956

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## ***Notes to the Financial Statements*** ***For the Year Ended September 30, 2024***

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### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive 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](http://www.rsa-al.gov).

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

For the year ended September 30, 2024, the Houston County Commission recognized pension expense of \$4,266,978.00. At September 30, 2024, the Houston County Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,333,180	\$630,928
Changes of assumptions	1,049,204	
Net difference between projected and actual earnings on pension plan investments	1,643,091	
Employer contributions subsequent to the measurement date	2,101,677.43	
<b>Total</b>	<b>\$8,127,152.43</b>	<b>\$630,928</b>

The \$2,101,677.43 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2025	\$1,882,560
2026	\$1,422,319
2027	\$2,044,842
2028	\$ 44,826
2029	\$ 0
Thereafter	\$ 0

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

### ***For the Year Ended September 30, 2024***

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#### **Note 7 – Other Postemployment Benefits (OPEB)**

##### **General Information about the OPEB Plan**

###### **Plan Description**

The Houston County Commission (the “Commission”) provides medical and dental insurance benefits to its eligible retirees and their spouses. The Commission’s OPEB plan is a single- employer defined benefit OPEB plan. The Commission participates in the Local Government Health Insurance Plan (LGHIP), which is a self-insured employer group health benefit plan administered by the Local Government Health Insurance Board (LGHIB). The Local Government Health Insurance Board (LGHIB) is a state agency established by the Alabama Legislature to administer the LGHIP pursuant to the ***Code of Alabama 1975***, Section 11-91A-1 through 11-91A-10. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the LGHIB.

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 and dental insurance benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement Systems of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: Tier 1: Retirement on or after age 60 with at least 10 years of service or after 25 years of service without regard to age at retirement. Tier 2: Retirement on or after age 60 with at least 10 years of service.

###### **Employees Covered by Benefit Terms**

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

Status	Total	Employee Only	Employee and Dependent
Active	419	234	185
Retired	79	64	15
<b>Total</b>	<b>498</b>	<b>298</b>	<b>200</b>

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

### ***For the Year Ended September 30, 2024***

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#### **Total OPEB Liability**

The Commission's total OPEB liability of \$10,340,412.00 as of reporting date September 30, 2024, was measured as of September 30, 2024, and was determined by an actuarial valuation as of that date based on census information, benefit schedules and costs from the September 30, 2024, actuarial valuation.

#### **Actuarial Assumptions and Other Inputs**

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 Scale	3.00%
Discount Rate	4.06% (1.56% real rate of return plus 2.50% inflation)
Healthcare Cost Trend Rates	Level 4.50%

The discount rate was selected by reviewing the recently published S&P Municipal Bond 20 Year High Grade Rate Index as of September 30, 2024, the end of the applicable measurement period.

Mortality rates were based on the RPH-2014 Total Table with Projection MP-2021.

The actuarial assumptions used in the September 30, 2024, valuation were based on data provided by the Houston County Commission as of November 2024.

#### **Changes in the Total OPEB Liability**

Balance at October 1, 2023	\$10,021,858
<b>Changes for the year:</b>	
Service cost	254,546
Interest	484,172
Differences between expected and actual experience	(1,055,055)
Changes in assumptions	886,984
Benefit payments	(252,093)
Net changes	<u>318,554</u>
Balance at September 30, 2024	<u>\$10,340,412</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2024*

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#### **Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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 (3.06%) or 1-percentage point higher (5.06%) than the current discount rate:

	1% Decrease (3.06%)	Current Discount Rate (4.06%)	1% Increase (5.06%)
Total OPEB Liability	\$11,833,151	\$10,340,412	\$9,125,636

#### **Sensitivity of the Total OPEB Liability to Changes in the 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 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	\$9,043,635	\$10,340,412	\$11,948,858

#### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2024, the Commission recognized OPEB income of \$1,268,409.00 prior to recording the actual OPEB benefit amounts. The deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,963	\$(1,064,746)
Changes of assumptions	745,969	(4,003,342)
<b>Total</b>	<b>\$792,932</b>	<b>\$(5,068,088)</b>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2024*

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

Year Ending:	
September 30, 2025	\$(2,007,127)
2026	\$(1,411,728)
2027	\$ (712,785)
2028	\$ (109,045)
2029	\$ (26,720)
Thereafter	\$ (7,751)

#### **Note 8 – Construction and Other Significant Commitments**

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

	Contract Amount	Remaining Balance
Fiber Loop Network Project	\$ 627,411.99	\$122,320.59
Farm Center Roof Replacement	960,247.00	304,551.00
<b>Total</b>	<b>\$1,587,658.99</b>	<b>\$426,871.59</b>

#### **Note 9 – Payables**

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

	General Fund	Gasoline Tax Fund	American Rescue Plan Act Fund	Other Governmental Funds	Total
<b>Payables:</b>					
Accounts	\$1,609,311.88	\$1,683,884.41	\$109,281.02	\$74,142.92	\$3,476,620.23
Intergovernmental	176,241.87	71,934.42		583.33	248,759.62
<b>Total</b>	<b>\$1,785,553.75</b>	<b>\$1,755,818.83</b>	<b>\$109,281.02</b>	<b>\$74,726.25</b>	<b>\$3,725,379.85</b>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2024***

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**Note 10 – Long-Term Debt**

In February 2015, the Commission issued General Obligation Refunding Warrants, Series 2015 in the amount of \$4,090,000.00. The purpose of these warrants was to refund a portion of the General Obligation Warrants, Series 2008-A, and pay the costs of issuing the Series 2015 Warrants. In the event of default, the Holders of Series 2015 warrants shall be entitled to exercise all available remedies under the laws of the State of Alabama.

On February 24, 2020, the Commission issued the General Obligation Warrants, Series 2020-A in the amount of \$7,545,000.00. The purpose of these warrants was to refund the General Obligation Warrants, Series 2014-A and other capital improvements. In the event of default, the Holders of Series 2020-A warrants shall be entitled to exercise all available remedies under the laws of the State of Alabama.

On February 24, 2020, the Commission issued the General Obligation Warrants, Series 2020-B in the amount of \$5,335,000.00. The purpose of these warrants was to assist with road improvements in Houston County. In the event of default, the Holders of Series 2020-B warrants shall be entitled to exercise all available remedies under the laws of the State of Alabama.

On November 29, 2022, the Commission entered into a financial agreement, a warrant from direct placement, for the construction of a new building for the Southern Alabama Regional Council on Aging (SARCOA) in the amount of \$2,000,000.00 with an interest rate of 4.20%. In the event of default, the financial institution shall be entitled to exercise all available remedies under the laws of the State of Alabama.

On August 22, 2024, the Commission issued the General Obligation Warrants, Series 2024 in the amount of \$1,320,543.00. The purpose of these warrants was to fund a portion of the cost of acquisition and equipping of new vehicles to be used by Houston County. In the event of default, the Holders of Series 2024 warrants shall be entitled to exercise all available remedies under the laws of the State of Alabama.

**Notes from Direct Borrowing**

On April 14, 2021, the Commission entered into a financial agreement, a direct borrowing from a financial institution, to purchase a building in the amount of \$2,200,000.00 with an interest rate of 2.49%. In the event of default, the financial institution shall be entitled to exercise all available remedies under the laws of the State of Alabama including foreclosure actions.

On June 22, 2022, the Commission entered into a financial agreement, a direct borrowing from a financial institution, to purchase six motor graders in the amount of \$638,842.26 with an interest rate of 1.50%. In the event of default, the financial institution shall be entitled to exercise all available remedies under the laws of the State of Alabama.

## **Notes to the Financial Statements**

### **For the Year Ended September 30, 2024**

On May 22, 2023, the Commission entered into a financial agreement, a direct borrowing from a financial institution, to purchase three 2023 dump trucks in the amount of \$1,228,309.16 with an interest rate of 5.21%. In the event of default, the financial institution shall be entitled to exercise all available remedies under the laws of the State of Alabama.

The following is a summary of long-term debt 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
<b>Governmental Activities:</b>					
Warrants Payable and Warrant from Direct Placement:					
2015 General Obligation Refunding Warrants Payable	\$ 1,625,000.00	\$	\$ (315,000.00)	\$ 1,310,000.00	\$ 315,000.00
2020-A General Obligation Refunding Warrants Payable	6,265,000.00		(460,000.00)	5,805,000.00	480,000.00
2020-B General Obligation Warrants	4,030,000.00		(510,000.00)	3,520,000.00	530,000.00
Add: Unamortized Premium	1,370,360.31		(159,680.34)	1,210,679.97	159,680.34
2024 General Obligation Warrants Warrant from Direct Placement:		1,320,543.00		1,320,543.00	165,753.13
2023 General Obligation Warrant	1,951,467.60		(100,143.74)	1,851,323.86	104,393.95
Total Warrants Payable and Warrant from Direct Placement	<u>15,241,827.91</u>	<u>1,325,543.00</u>	<u>(1,544,824.08)</u>	<u>15,017,546.83</u>	<u>1,754,827.42</u>
<b>Other Liabilities:</b>					
Compensated Absences	2,294,898.03	35,521.05		2,330,419.08	233,041.91
OPEB Liability	10,021,858.00	318,554.00		10,340,412.00	
Net Pension Liability	25,484,846.00	548,364.00		26,033,210.00	
Notes from Direct Borrowing	3,822,456.57		(724,988.30)	3,097,468.27	289,446.20
Total Other Liabilities	<u>41,624,058.60</u>	<u>902,439.05</u>	<u>(724,988.30)</u>	<u>41,801,509.35</u>	<u>522,488.11</u>
Governmental Activities					
Long-Term Liabilities	\$56,865,886.51	\$2,222,982.05	\$(2,269,812.38)	\$56,819,056.18	\$2,277,315.53

Payments on the warrants payable are made by the debt service funds with funds transferred from the General Fund. The notes from direct borrowing are paid by the General Fund (68%) and Gasoline Tax Fund (32%).

The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund (81.05%), Gasoline Tax Fund (15.47%), and Other Governmental Funds (3.48%).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2024*

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

Fiscal Year Ending	General Obligation Warrants	
	Principal	Interest
September 30, 2025	\$ 1,490,753.13	\$ 436,567.47
2026	1,547,855.56	381,650.04
2027	1,605,262.32	324,193.28
2028	1,672,986.46	264,079.14
2029	1,381,041.58	201,264.02
2030-2034	4,257,643.95	364,967.27
2035-2038		
Total	<u>\$11,955,543.00</u>	<u>\$1,972,721.22</u>

#### **Houston County Water Authority (the “Authority”) Debt**

On February 1, 2013, the Authority issued new bonds in the amount of \$1,200,000.00. The purpose of this issue was to advance refund the Authority’s 2008 issue and to partially advance refund 2007, 2009A and 2009B issues. Also, the Houston County Commission (the “Commission”) under provisions of an agreement with the Authority is obligated to pay any amount by which the debt service on the Series 2013 Bonds exceeds the available funds in the Bond Fund of the Authority. In the event of default, the Trustee may proceed to protect its rights and the rights of the Holders of the Series 2013 Bonds by (1) mandamus; (2) suit in equity; (3) action at law; or (4) other appropriate proceedings.

On February 1, 2014, the Authority issued new bonds in the amount of \$2,245,000.00. The purpose of this issue was to advance refund the Authority’s 2009A issue. Also, the Houston County Commission (the “Commission”) under provisions of an agreement with the Authority is obligated to pay any amount by which the debt service on the Series 2014 Bonds exceeds the available funds in the Bond Fund of the Authority. In the event of default, the Trustee may proceed to protect its rights and the rights of the Holders of the Series 2014 Bonds by (1) mandamus; (2) suit in equity; (3) action at law; or (4) other appropriate proceedings.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2024***

Warrant from Direct Placement		Notes from Direct Borrowing		Total Principal and Interest Requirements
Principal	Interest	Principal	Interest	
\$ 104,393.95	\$ 76,670.85	\$ 289,446.20	\$ 156,753.83	\$ 2,554,585.43
108,824.53	72,240.27	133,953.73	148,809.35	2,393,333.48
113,443.15	67,621.65	141,261.98	141,501.10	2,393,283.48
118,257.79	62,807.01	164,543.61	134,198.85	2,416,872.86
123,276.77	57,788.03	1,823,994.03	86,780.93	3,674,145.36
699,448.48	205,875.52	544,268.72	57,860.93	6,130,064.87
583,679.19	50,047.64			633,726.83
<b>\$1,851,323.86</b>	<b>\$593,050.97</b>	<b>\$3,097,468.27</b>	<b>\$725,904.99</b>	<b>\$20,196,012.31</b>

On February 1, 2016, the Authority issued new bonds in the amount of \$2,485,000 which advanced refunded the Authority's 2009A and Series 2009B (collectively, the "Series 2009 Bonds") that were outstanding. Also, the Houston County Commission (the "Commission") under provisions of an agreement with the Authority is obligated to pay any amount by which the debt service on the Series 2016 Bonds exceeds the available funds in the Bond Fund of the Authority. In the event of default, the Trustee may proceed to protect its rights and the rights of the Holders of the Series 2016 Bonds by (1) mandamus; (2) suit in equity; (3) action at law; or (4) other appropriate proceedings.

On May 6, 2020, the Authority issued new bonds in the amount of \$1,880,000.00 in order to finance the construction of a new well. The Houston County Commission (the "Commission") is not obligated to pay any amount of the debt service on the Series 2020 Bonds.

On January 19, 2023, the Authority issued new bonds in the amount of \$1,980,000.00 for construction of new water lines and a new office facility. The Houston County Commission (the "Commission") is not obligated to pay any amount of the debt service on the Series 2023 Bonds.

On September 20, 2024, the Authority renewed a line of credit in the amount of \$4,900,000.00 for the purpose of funding from the ARPA grant from the Houston County Commission. The note matures on March 20, 2026, and the collateral is the Subrecipient Agreement dated November 17, 2022. The total owed as of September 30, 2024, is \$32,675.00.

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

### ***For the Year Ended September 30, 2024***

The following is a summary of long-term debt obligations for the Authority 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
<b>Component Unit:</b>					
Note Payable	\$	\$32,675.00	\$	\$ 32,675.00	\$ 32,675.00
<b>Revenue Bonds Payable:</b>					
Series 2013	1,200,000.00			1,200,000.00	
Series 2014	1,765,000.00		(100,000.00)	1,665,000.00	105,000.00
Series 2016	2,375,000.00		(110,000.00)	2,265,000.00	115,000.00
Add: Premium	109,225.00		(5,383.00)	103,842.00	
Series 2020	1,880,000.00			1,880,000.00	
Less: Discount	(31,170.00)		1,171.00	(29,999.00)	
Series 2023	1,980,000.00			1,980,000.00	
Less: Discount	(38,280.00)		1,320.00	(36,960.00)	
Total Revenue Bonds Payable	<u>\$9,239,775.00</u>	<u>\$32,675.00</u>	<u>\$(212,892.00)</u>	<u>\$9,059,558.00</u>	<u>\$252,675.00</u>

Principal and Interest for the Authority's debt is as follows:

Fiscal Year Ending	Bonds and Note Payable		Total Principal and Interest
	Principal	Interest	
September 30, 2025	\$ 252,675.00	\$ 324,185.00	\$ 576,860.00
2026	230,000.00	315,132.00	545,132.00
2027	240,000.00	306,735.00	546,735.00
2028	245,000.00	297,610.00	542,610.00
2029	255,000.00	288,497.00	543,497.00
Thereafter	<u>7,800,000.00</u>	<u>3,898,818.00</u>	<u>11,698,818.00</u>
Total	<u>\$9,022,675.00 (*)</u>	<u>\$5,430,977.00</u>	<u>\$14,453,652.00</u>

Houston County Water Authority, Inc.,  
Series 2013, Series 2014, Series 2016,  
Series 2020 and Series 2023

(\*) Amount reported on face of statement includes premium of \$103,842.00 and  
discount of \$66,959.00 for a net of \$9,059,558.00.

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## ***Notes to the Financial Statements*** ***For the Year Ended September 30, 2024***

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### **Deferred Outflows on Refunding, Discounts and Premiums**

The Commission had a deferred loss on refunding in connection with the issuance of its 2015 General Obligation Refunding Warrants. The deferred loss on refunding on the 2015 Warrants is being amortized over a period of fifteen years.

The Commission had a deferred loss on refunding in connection with the issuance of its Series 2020-A General Obligation Refunding Warrants. The deferred loss on refunding on the Series 2020-A General Obligation Refunding Warrants is being amortized over a period of fifteen years. The Commission had a premium on the Series 2020-A General Obligation Refunding Warrants and Series 2020-B General Obligation Warrants. The premium on the Series 2020-A General Obligation Refunding Warrants and the Series 2020-B General Obligation Warrants is being amortized over fifteen and eleven years, respectively.

	Deferred Outflows on Refunding	Premiums
Deferred Outflows on Refunding and Premiums	\$ 444,189.05	\$1,934,756.90
Amount Amortized Prior Years	(230,601.09)	(564,396.59)
Balance Deferred Outflows on Refunding and Premiums	213,587.96	1,370,360.31
Current Amount Amortized	(30,105.91)	(159,680.34)
Balance Deferred Outflows on Refunding and Premiums	<u>\$183,482.05</u>	<u>\$1,210,679.97</u>

The Authority has discounts and a premium in connection with the issuance of its Revenue Bonds, Series 2016, 2020 and 2023. The premium on the Revenue Bonds, Series 2016 is being amortized using a straight-line method over the life of the bonds. The discounts for the Revenue Bonds, Series 2020 and 2023 are being amortized using a straight-line method over the life of the bonds.

	Premium	Discounts
Total Premiums and Discounts	\$153,788.00	\$74,741.00
Amount Amortized Prior Years	(44,563.00)	(5,291.00)
Premium and Discount	109,225.00	69,450.00
Current Amount Amortized	(5,383.00)	(2,491.00)
Balance Premium and Discounts	<u>\$103,842.00</u>	<u>\$66,959.00</u>

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

### ***For the Year Ended September 30, 2024***

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#### **Note 11 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per occurrence for a maximum total coverage of \$3,000,000 in aggregate. Defense costs are included in the limits of the coverage. Employment practices liability coverage provides up to \$1,000,000 per occurrence with a \$5,000 deductible for loss only. Defense costs are included in the limits of the coverage. Equitable Defense coverage per occurrence is limited to \$225,000.00.

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. Member premiums are based on a rate per \$100 of remuneration for each class of employee which is adjusted by an experience modifier and Fund limiting rules for the individual county of 16.4%. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission may qualify for additional discounts based on losses and premium size.

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

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

The Commission purchases commercial life insurance of \$15,000 for the majority of their employees through Sun Life Insurance. The Commission paid premiums of \$2.25 for each active employee at the beginning of each month. Based on age, Sun Life will decrease employee coverage and premium.

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

### ***For the Year Ended September 30, 2024***

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#### **Note 12 – 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
<b>Transfers Out:</b>				
General Fund	\$ 5,808,142.09	\$ 1,039,240.58	\$ 6,847,382.67	
American Rescue Plan Act Fund	222,360.06		222,360.06	
Other Governmental Funds	2,722,796.18	661,000.00	3,383,796.18	
<b>Totals</b>	<b>\$2,945,156.24</b>	<b>\$5,808,142.09</b>	<b>\$1,700,240.58</b>	<b>\$10,453,538.91</b>

The Commission transfers funds in the General Fund to the Debt Service Funds to pay current year debt requirements. Funds will be transferred from the General Fund to the Gasoline Fund as needed for projects.

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

A majority of the members of the Board of the Houston County Industrial Development Authority, the Houston County Port Authority, the Improvement District of Houston County-Country Crossing Project, Cooperative District of Houston County-Country Crossing Project, and the Houston County Health Care Authority are appointed by the Houston County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for these agencies and these agencies are not considered part of the Commission's financial reporting entity. These agencies are considered related organizations of the Commission.

#### **Note 14 – Note Receivable**

Pursuant to a Development Agreement entered into by the Commission and the Southern Alabama Regional Council on Aging (SARCOA), a portion of revenues received by SARCOA must be paid to the Commission to enable the Commission to make debt service payments on its General Obligation Warrant. A total of \$1,851,323.86 was outstanding at September 30, 2024. Of this amount, \$104,393.95 is due and payable in the next year.

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

### ***For the Year Ended September 30, 2024***

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#### **Note 15 – Restatements**

##### **Changes to or Within the Financial Reporting Entity**

During the fiscal year ended September 30, 2024, the Commission adopted new accounting guidance by implementing the provisions of GASB Statement Number 100, ***Accounting Changes and Error Corrections***. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, consistent, and comparable information for making decisions or assessing accountability. Accounting changes include changes in accounting principles, changes in estimates, and changes to or within the financial reporting entity. Upon implementation of GASB Statement Number 100, the Commission had a change in the financial reporting entity resulting in a restatement of beginning fund balances.

In the previous year, the ARPA Revenue Replacement Fund was a major fund in the financial statements. This fund had assets and liabilities totaling \$6,089,804.89 and no fund balance as year-end. However, in the current year, this fund is a nonmajor fund in the financial statements.

The impact of the restatements on the fund balances as previously reported is as follows:

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances						
	General Fund	Gasoline Tax Fund	ARPA Revenue Replacement Fund	American Rescue Plan Act Fund	Other Governmental Funds	Total
Fund Balance, September 30, 2023, as Previously Reported	\$10,747,101.26	\$2,267,403.33	\$	\$	\$8,416,488.92	\$21,430,993.51
Fund Restatements:						
Change within financial reporting entity (major to non-major fund)						
Fund Balance, September 30, 2023, as Restated	<u>\$10,747,101.26</u>	<u>\$2,267,403.33</u>	<u>\$</u>	<u>\$</u>	<u>\$8,416,488.92</u>	<u>\$21,430,993.51</u>

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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
<b>Total pension liability</b>										
Service cost	\$ 1,803,568	\$ 1,682,943	\$ 1,448,018	\$ 1,342,800	\$ 1,237,253	\$ 1,196,615	\$ 1,173,445	\$ 1,202,164	\$ 1,181,263	\$ 1,156,220
Interest	4,553,073	4,285,675	4,148,532	3,673,501	3,549,319	3,386,802	3,253,710	3,126,201	2,994,945	2,862,153
Change of benefit terms		48,518		615,549						
Differences between expected and actual experience	2,431,372	696,730	(1,298,919)	3,482,943	(209,310)	516,813	322,282	101,485	139,459	
Changes of assumptions			2,281,157			258,651		1,202,463		
Benefit payments, including refunds of employee contributions	(3,643,066)	(3,335,646)	(3,081,492)	(2,949,886)	(3,157,155)	(2,989,807)	(2,678,644)	(2,790,459)	(2,559,471)	(2,157,495)
Transfers among employers	461,031	364,726	278,591	70,129	89,014	108,971	(197,893)	8,085		
Net change in total pension liability	5,605,978	3,742,946	3,775,887	6,235,036	1,509,121	2,478,045	1,872,900	2,849,939	1,756,196	1,860,878
Total pension liability - beginning	62,936,613	59,193,667	55,417,780	49,182,744	47,673,623	45,195,578	43,322,678	40,472,739	38,716,543	36,855,665
Total pension liability - ending (a)	\$ 68,542,591	\$ 62,936,613	\$ 59,193,667	\$ 55,417,780	\$ 49,182,744	\$ 47,673,623	\$ 45,195,578	\$ 43,322,678	\$ 40,472,739	\$ 38,716,543
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 1,741,261	\$ 1,538,590	\$ 1,314,526	\$ 1,154,810	\$ 1,257,395	\$ 925,491	\$ 937,848	\$ 964,532	\$ 943,680	\$ 881,208
Contributions - employee	1,624,324	1,437,701	1,294,119	1,171,250	1,188,713	1,040,161	1,031,183	1,015,419	1,029,023	1,024,621
Net investment income	4,874,064	(5,491,662)	7,820,064	1,923,735	857,537	2,893,981	3,652,846	2,715,892	320,744	2,956,434
Benefit payments, including refunds of employee contributions	(3,643,066)	(3,335,646)	(3,081,492)	(2,949,886)	(3,157,155)	(2,989,807)	(2,678,644)	(2,790,459)	(2,559,471)	(2,157,495)
Transfers among employers	461,031	364,726	278,591	70,129	89,014	108,971	(197,893)	8,085	12,346	(295,367)
Net change in plan fiduciary net position	5,057,614	(5,486,291)	7,625,808	1,370,038	235,504	1,978,797	2,745,340	1,913,469	(253,678)	2,409,401
Plan fiduciary net position - beginning	37,451,767	42,938,058	35,312,250	33,942,212	33,706,708	31,727,911	28,982,571	27,069,102	27,322,780	24,913,379
Plan fiduciary net position - ending (b)	\$ 42,509,381	\$ 37,451,767	\$ 42,938,058	\$ 35,312,250	\$ 33,942,212	\$ 33,706,708	\$ 31,727,911	\$ 28,982,571	\$ 27,069,102	\$ 27,322,780
Net pension liability (asset) - ending (a) - (b)	\$ 26,033,210	\$ 25,484,846	\$ 16,255,609	\$ 20,105,530	\$ 15,240,532	\$ 13,966,915	\$ 13,467,667	\$ 14,340,107	\$ 13,403,637	\$ 11,393,763
Plan fiduciary net position as a percentage of the total pension liability	62.02%	59.51%	72.54%	63.72%	69.01%	70.70%	70.20%	66.90%	66.88%	70.57%
Covered payroll (*)	\$ 21,144,371	\$ 18,961,120	\$ 17,397,038	\$ 16,047,611	\$ 16,351,891	\$ 14,171,126	\$ 14,097,503	\$ 14,124,091	\$ 13,937,961	\$ 13,787,184
Net pension liability (asset) as a percentage of covered payroll	123.12%	134.41%	93.44%	125.29%	93.20%	98.56%	95.53%	101.53%	96.17%	82.64%

(\*) 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 beginning with fiscal year 2017.

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

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution (*)	\$ 2,101,677	\$ 1,741,261	\$ 1,538,590	\$ 1,314,526	\$ 1,154,810	\$ 1,257,395	\$ 925,491	\$ 937,848	\$ 964,532	\$ 943,680
Contributions in relation to the actuarially determined contribution (*)	\$ 2,101,677	\$ 1,741,261	\$ 1,538,590	\$ 1,314,526	\$ 1,154,810	\$ 1,257,395	\$ 925,491	\$ 937,848	\$ 964,532	\$ 943,680
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 22,720,450	\$ 21,144,371	\$ 18,961,120	\$ 17,397,038	\$ 16,047,611	\$ 16,351,891	\$ 14,171,126	\$ 14,097,503	\$ 14,124,091	\$ 13,937,961
Contributions as a percentage of covered payroll	9.25%	8.24%	8.11%	7.56%	7.20%	7.69%	6.53%	6.65%	6.83%	6.77%

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

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

**Notes to Schedule**

**Valuation date:**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.  
Contributions for fiscal year 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	26.3 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
<b>Total OPEB liability</b>							
Service cost	\$ 254,546	\$ 254,546	\$ 474,632	\$ 474,632	\$ 575,117	\$ 575,117	\$ 552,678
Interest	484,172	461,658	305,452	294,609	834,408	772,357	760,495
Difference between expected and actual experience	(1,055,055)		92,119		(753,486)		
Changes of assumptions	886,984		(4,290,834)		(7,711,509)		
Benefit payments	(252,093)	(236,345)	(280,736)	(293,913)	(310,600)	(477,853)	(458,802)
Net change in total OPEB liability	318,554	479,859	(3,699,367)	475,328	(7,366,070)	869,621	854,371
Total OPEB liability - beginning	10,021,858	9,541,999	13,241,366	12,766,038	20,132,108	19,262,487	18,408,116
Total OPEB liability - ending	\$ 10,340,412	\$ 10,021,858	\$ 9,541,999	\$ 13,241,366	\$ 12,766,038	\$ 20,132,108	\$ 19,262,487
Covered-employee payroll	\$ 20,400,012	\$ 16,826,138	\$ 16,826,138	\$ 15,206,704	\$ 15,206,704	\$ 13,602,794	\$ 13,602,794
Commission's Net OPEB Liability as a percentage of covered-employee payroll	50.69%	59.56%	56.71%	87.08%	83.95%	148.00%	141.61%

**Notes to Schedule**

**Benefit Changes**. There were no changes of benefit terms for the year ended September 30, 2023.

**Changes in Assumptions**. The discount rate decreased from 4.77% to 4.06% to conform with the discount selection requirements of GASB 75.

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
Actuarially determined contribution (*)	\$ 252,093	\$ 236,345	\$ 280,736	\$ 293,913	\$ 310,600	\$ 477,853	\$ 458,802
Contributions in relation to the actuarially determined contribution	\$ 252,093	\$ 236,345	\$ 280,736	\$ 293,913	\$ 310,600	\$ 477,853	\$ 458,802
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered-employee payroll	\$ 20,400,012	\$ 16,826,138	\$ 16,826,138	\$ 15,206,704	\$ 15,206,704	\$ 13,602,794	\$ 13,602,794
Contributions as a percentage of covered-employee payroll	1.24%	1.40%	1.67%	1.93%	2.04%	3.51%	3.37%

(\*) There are no actuarially determined contributions; instead, the actual premiums paid for retiree insurance coverage are shown above.

**Notes to Schedule**

Valuation date: September 30, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percentage of projected salary
Inflation	2.50%
Healthcare cost trend rates	Level 4.50%
Salary scale	3.00%
Discount Rate	4.06% (1.56% real rate of return plus 2.50% inflation)
Retirement age	Tier 1: Retirement on or after age 60 with at least 10 years of service or after 25 years of service without regard to age at retirement Tier 2: Retirement on or after age 60 with at least 10 years of service
Mortality	RPH-2014 Total Table with Projection MP-2021
Turnover	Termination rates are based on the termination rates in the latest actuarial valuation for the Retirement Systems of Alabama ("RSA").

This schedule is intended to show information for 10 years. Additional years should 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 Differences	Actual Amounts	
	Original	Final	Budgetary Basis			GAAP Basis	
<b>Revenues</b>							
Taxes	\$ 18,539,210.00	\$ 18,539,210.00	\$ 20,612,680.04	(1)	\$ 14,118,667.83	\$ 34,731,347.87	
Licenses and Permits	165,200.00	165,200.00	170,399.09			170,399.09	
Intergovernmental	3,351,259.00	3,351,259.00	3,020,859.89	(1)	47,944.61	3,068,804.50	
Charges for Services	8,503,236.00	8,503,236.00	8,884,373.81			8,884,373.81	
Miscellaneous	856,030.00	856,030.00	2,186,364.53			2,186,364.53	
Total Revenues	31,414,935.00	31,414,935.00	34,874,677.36		14,166,612.44	49,041,289.80	
<b>Expenditures</b>							
Current:							
General Government	11,756,046.85	11,879,147.49	10,795,682.05			10,795,682.05	
Public Safety	20,813,009.00	21,386,399.85	20,741,403.70			20,741,403.70	
Sanitation	2,798,814.00	2,997,211.40	2,543,814.74			2,543,814.74	
Health	1,038,510.00	1,046,009.00	1,050,072.40			1,050,072.40	
Welfare	486,037.00	491,026.80	350,785.81			350,785.81	
Culture and Recreation	424,350.00	424,350.00	385,411.25			385,411.25	
Education	638,000.00	638,000.00	637,500.00			637,500.00	
Capital Outlay	6,440,805.15	6,440,805.15	3,268,066.39			3,268,066.39	
Debt Service:							
Principal Retirement	700,353.00	700,353.00	562,024.56			562,024.56	
Interest and Fiscal Charges	226,233.00	226,233.00	214,928.72			214,928.72	
Total Expenditures	45,322,158.00	46,229,535.69	40,549,689.62			40,549,689.62	
Excess (Deficiency) of Revenues Over Expenditures	(13,907,223.00)	(14,814,600.69)	(5,675,012.26)		14,166,612.44	8,491,600.18	
<b>Other Financing Sources (Uses)</b>							
Transfers In	5,673,136.00	5,673,136.00	17,111,768.68	(2)	(14,166,612.44)	2,945,156.24	
Sale of Capital Assets	2,200,000.00	2,200,000.00	2,016,801.00			2,016,801.00	
Proceeds from Notes from Direct Borrowing			1,320,543.00			1,320,543.00	
Transfers Out	(431,080.00)	(431,080.00)	(6,847,382.67)			(6,847,382.67)	
Total Other Financing Sources (Uses)	7,442,056.00	7,442,056.00	13,601,730.01		(14,166,612.44)	(564,882.43)	
Net Change in Fund Balances	(6,465,167.00)	(7,372,544.69)	7,926,717.75			7,926,717.75	
Fund Balances - Beginning of Year	20,026,998.00	20,026,998.00	11,241,399.01	(3)	(494,297.75)	10,747,101.26	
Fund Balances - End of Year	\$ 13,561,831.00	\$ 12,654,453.31	\$ 19,168,116.76		\$ (494,297.75)	\$ 18,673,819.01	

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

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

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

(1) Revenues		
Public Buildings, Roads and Bridges Fund		\$ 1,466,612.44
(2) Transfers In		
Public Buildings, Roads and Bridges Fund		<u>(1,466,612.44)</u>
Net Change in Fund Balance - Budget to GAAP		<u>\$</u>
(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances 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 Budgetary Basis	Budget to GAAP Differences	Actual Amounts	
	Original	Final			GAAP Basis	
<b>Revenues</b>						
Taxes	\$	\$	\$	(4)	\$	\$
Licenses and Permits	89,000.00	89,000.00	102,867.22	(4)	84,245.51	84,245.51
Intergovernmental	3,632,481.00	3,682,481.00	3,483,686.95	(4)	1,100.00	103,967.22
Miscellaneous	262,000.00	262,000.00	312,684.13	(1)	163,830.59	3,647,517.54
Total Revenues	3,983,481.00	4,033,481.00	3,899,238.30		625,948.96	938,633.09
					875,125.06	4,774,363.36
<b>Expenditures</b>						
Current:						
Highways and Roads	17,598,434.00		13,632,702.14	(2)	(1,247,893.34)	12,384,808.80
Capital Outlay	1,114,000.00	1,114,000.00	1,009,456.91			1,009,456.91
Debt Service:						
Principal Retirement	476,838.00	476,838.00	263,107.48			263,107.48
Interest and Fiscal Charges	8,551.00	8,551.00	4,365.01			4,365.01
Intergovernmental				(5)	74,633.08	74,633.08
Total Expenditures	19,197,823.00	1,599,389.00	14,909,631.54		(1,173,260.26)	13,736,371.28
Excess (Deficiency) of Revenues Over Expenditures	(15,214,342.00)	2,434,092.00	(11,010,393.24)		2,048,385.32	(8,962,007.92)
<b>Other Financing Sources (Uses)</b>						
Transfers In	11,814,342.00	12,731,635.40	7,856,527.41	(3) (6)	(2,048,385.32)	5,808,142.09
Sale of Capital Assets	3,400,000.00	3,400,000.00	886,462.50			886,462.50
Total Other Financing Sources (Uses)	15,214,342.00	16,131,635.40	8,742,989.91		(2,048,385.32)	6,694,604.59
Net Change in Fund Balances			(2,267,403.33)			(2,267,403.33)
Fund Balances - Beginning of Year			2,267,403.33	(7)		2,267,403.33
Fund Balances - End of Year	\$	\$	\$		\$	\$

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

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

The modified accrual basis of accounting (GAAP) requires that interfund reimbursements received for expenditures, properly applicable to other funds, be accounted for as reductions of expenditures in the fund that is reimbursed. Likewise, excess reimbursements received from those funds constitute revenue to the fund receiving the excess reimbursements. These differences, while affecting individual line items, had no effect on overall fund balance.

(1) The Commission budgets excess reimbursements received for expenditures, properly applicable to other funds, as transfers in rather than on the modified accrual basis (GAAP).	\$	625,948.96
(2) The Commission budgets payments made from the Gasoline Tax Fund, properly applicable to other funds, as expenditures of the Gasoline Tax Fund rather than on the modified accrual basis (GAAP).		1,247,893.34
(3) The Commission budgets reimbursements received by the Gasoline Tax Fund from other funds, for expenditures properly applicable to other funds, as transfers in rather than on the modified accrual basis.		(1,873,842.30)

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

(4) Revenues		
Public Highway and Traffic Fund	\$	163,830.59
Severed Mineral Severance Tax Fund		4,775.51
Walden Gas Tax Fund		<u>80,570.00</u>
		249,176.10
(5) Expenditures		
Walden Gas Tax Fund		(74,633.08)
(6) Transfers In		
Public Highway and Traffic Fund	\$	(163,830.59)
Severed Mineral Severance Tax Fund		(4,775.51)
Walden Gas Tax Fund		<u>(5,936.92)</u>
Net Change in Fund Balance - Budget to GAAP	\$	<u><u></u></u>

(7) 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.

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## *Supplementary Information*

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2024**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grantor's Identifying Number</b>	<b>Pass-Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U. S. Department of Housing and Urban Development</b>				
<b>Passed Through Alabama Department of Economic and Community Affairs</b>				
Community Development Block Grants/State's Program and Non-Entitlement				
Grants in Hawaii - Coronavirus Aid, Relief, and Economic Security Act (CDBG-CV)	14.228	CV-NC-20-037	\$	\$ 22,437.00
Total U. S. Department of Housing and Urban Development				22,437.00
<b>U. S. Department of the Interior</b>				
<b>Direct Program</b>				
Payments in Lieu of Taxes	15.226	N.A.		1,168.00
Total U. S. Department of the Interior				1,168.00
<b>U. S. Department of Justice</b>				
<b>Passed Through City of Dothan</b>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N.A.		51,869.86
Total U. S. Department of Justice				51,869.86
<b>U. S. Department of Transportation</b>				
<b>Passed Through Southeast Alabama Highway Safety Office</b>				
State and Community Highway Safety Grants	20.600	24-FP-PT-012		35,683.00
Total U. S. Department of Transportation				35,683.00
<b>U. S. Department of Treasury</b>				
<b>Direct Program</b>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N.A.	3,599,155.41	8,367,013.48
Total U. S. Department of Treasury			3,599,155.41	8,367,013.48
<b>U. S. Department of Homeland Security</b>				
<b>Passed Through Alabama Emergency Management Agency</b>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4563-DR-AL		56,226.81
Emergency Management Performance Grants	97.042	22EMPG		145,091.61
Total Passed Through Alabama Emergency Management Agency				201,318.42
<b>Passed Through Alabama Law Enforcement Agency</b>				
Homeland Security Grant Program	97.067	20FIL		7,501.00
Total Passed Through Alabama Law Enforcement Agency				7,501.00
Total U. S. Department of Homeland Security				208,819.42
Sub-Total Forward			\$ 3,599,155.41	\$ 8,686,990.76

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2024**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grantor's Identifying Number</b>	<b>Pass-Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
Sub-Total Brought Forward			\$ 3,599,155.41	\$ 8,686,990.76
<b><u>Other Federal Assistance</u></b>				
<b><u>U. S. Department of Justice</u></b>				
<b><u>Direct Program</u></b>				
U. S. Marshall Service Over-Time Reimbursement	N.A.	N.A.		24,769.85
Drug Enforcement Reimbursement	N.A.	N.A.		13,062.91
Total Other Federal Assistance				<u>37,832.76</u>
Total Expenditures of Federal Awards			\$ 3,599,155.41	\$ 8,724,823.52

N.A. - Not Available/Not Applicable

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

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# ***Notes to the Schedule of Expenditures of Federal Awards***

## ***For the Year Ended September 30, 2024***

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### **Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Houston County Commission under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of the Houston County Commission, it is not intended to and does not present the financial position or changes in net position of the Houston County Commission.

### **Note 2 – Summary of Significant Accounting Policies**

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

### **Note 3 – Indirect Cost Rate**

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

### **Note 4 – Approved Project Worksheets**

The Houston County Commission incurred eligible expenditures in fiscal year ended September 30, 2024, and the Federal Emergency Management Agency (FEMA) approved the Houston County Commission’s project worksheets during the fiscal year ended September 30, 2024. The Houston County Commission recorded the eligible expenditures of \$56,226.81 in Assistance Listing Number 97.036 on this year’s Schedule of Expenditures of Federal Awards.

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## *Additional Information*

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

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<b><u>Commission Members</u></b>		<b><u>Term Expires</u></b>
Hon. Brandon Shoupe	Chairman	2026
Hon. Curtis Harvey	Member	2026
Hon. Tracy Adams	Member	2026
Hon. Ricky Herring	Member	2026
Hon. James Ivey	Member	2026

**Administrative Personnel**

Peter B. Covert	Chief Administrative Officer	Indefinite
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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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## **Independent Auditor's Report**

Members of the Houston County Commission and Chief Administrative Officer  
Dothan, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Houston County Commission, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Houston County Commission's basic financial statements, and have issued our report thereon dated September 17, 2025. Our report includes a reference to other auditors who audited the financial statements of the Houston County Water Authority, as described in our report on the Houston County Commission's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported separately by those auditors.

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

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

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

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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 Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Houston 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 17, 2025

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

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## **Independent Auditor's Report**

Members of the Houston County Commission and Chief Administrative Officer  
Dothan, Alabama

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited the Houston County Commission's compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Houston County Commission's major federal programs for the year ended September 30, 2024. The Houston County Commission's major federal program is identified in the Summary of Examiner's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Houston County Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2024.

#### **Basis for Opinion on Each Major Federal Program**

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

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

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

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## **Responsibilities of Management for Compliance**

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

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

### **Report on Internal Control Over Compliance**

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

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

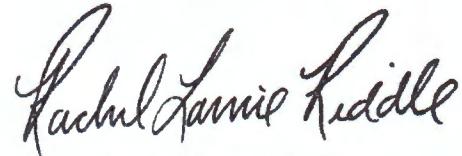
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

September 17, 2025

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2024***

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**Section I – Summary of Examiner's Results**

**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

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

Unmodified

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

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

Yes  No

Identification of major federal programs:

<b>Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

Yes  No

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*Schedule of Findings and Questioned Costs*  
*For the Year Ended September 30, 2024*

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**Section II – Financial Statement Findings (GAGAS)**

No matters were reportable.

**Section III – Federal Awards Findings and Questioned Costs**

No matters were reportable.