



Alabama Department of Examiners of Public Accounts

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

October 1, 2021 through September 30, 2022

Filed: November 29, 2024

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ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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

Dear Madam:

An audit was conducted on the Winston County Commission, Winston County, Alabama, for the period October 1, 2021 through September 30, 2022, by Examiners Steven Orr and Bryanna Adams. I, Steven Orr, 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,

A handwritten signature in blue ink that reads 'Steven Orr'. The signature is fluid and cursive.

Steven Orr
Examiner of Public Accounts

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<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
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Department of
Examiners of Public Accounts

SUMMARY

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

The Winston County Commission (the “Commission”) is governed by a three-member body elected by the citizens of Winston County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 17. 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 Winston County.

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

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

An Alternative Compliance Examination Engagement on the Commission’s Coronavirus State and Local Fiscal Recovery Fund Program for the year ended September 30, 2022, was issued by the Department on September 6, 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 17, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Judy Burnett, Administrator and Roger Hayes, Chairman. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: Denise H. Olive, Audit Manager; Steven Orr, Examiner and Bryanna Adams, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

Members of Winston County Commission and County Administrator
Double Springs, Alabama

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

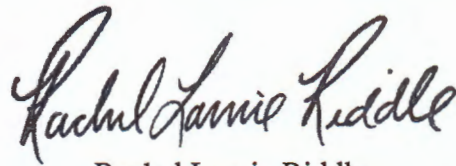
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 the Employer's Contributions – Pension and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 16), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated November 1, 2024, on our consideration of the Winston County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Winston 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 Winston County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

November 1, 2024

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

WINSTON COUNTY COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provide an overview of the financial activities and financial position for the Winston County Commission for the fiscal year ended September 30, 2022. Please read it in conjunction with the County's basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The County's net position increased by \$2,577,420.38 as a result of the current year's operations. Net position of governmental activities increased by \$2,323,106.28 while the net position for business-type activities increased by \$254,314.10.

REPORT LAYOUT

The annual report consists of a series of financial statements. Taken together they provide a comprehensive look at the County. This annual report presents the following components of the financial statements:

- Government-wide financial statements provide information for the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements provide detailed information for the County's significant funds. Governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.
- The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.
- Notes to the financial statements provide additional information that is essential to understanding the County's financial condition.

The report also contains required supplementary information that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to present a broad overview of the County's financial position in a manner similar to a private-sector business. These statements include all assets and liabilities using the accrual basis of accounting. All of the 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 focuses on resources available for future operations. This statement presents a view of the assets the county owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Over a period of time, increases or decreases in net position may indicate whether the County's financial position is improving or deteriorating. To assess the overall health of the County you need to consider other non-financial factors such as changes in the County's property tax base and the condition of the County's roads.

The Statement of Activities focuses on gross and net cost of the County's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The County's government-wide financial statements are divided into two categories:

- Governmental activities – Most of the County's basic services are reported here, including general government, public safety, highways and street, health and welfare, and culture and recreation. Property taxes, gasoline taxes, license and permits and charges for services finance most of these activities.
- Business-type activities – The County charges fees to customers to help it cover the cost of certain services it provides. The County's sanitation department is reported in this category.

FUND FINANCIAL STATEMENTS

Fund financial statements focus separately on major governmental funds and proprietary funds. The County establishes many funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The fund financial statements provide detailed information about the County's significant funds-not the County as a whole. The County's funds can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

Governmental funds – The majority of the County’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted into cash. 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. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide reconciliation to the government-wide financial statements.

Proprietary funds – Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail. The County maintains one type of proprietary fund – the enterprise fund. When the County charges customers for services it provides, these services are generally reported in the enterprise fund. The enterprise funds are presented as business-type activities in the government-wide statements.

Fiduciary funds – The County is responsible for assets that are held on behalf of other organizations or individuals. The County is responsible to ensure the assets reported in these funds are used for their intended purpose. The fiduciary activities are reported in separate statements of fiduciary assets and changes in fiduciary net position. The County cannot use these assets to finance its operations; therefore, these activities have been excluded from the County’s other financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the financial statements follow the presentation of the exhibits contained in this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The following two tables (A-1 and A-2) present condensed information on the County’s Net Position and Changes in Net Position for the fiscal year ended September 30, 2022. Comparative information is included.

As noted earlier, net position may serve over time as a useful indicator of the County’s financial position. In the County’s case, assets and deferred outflows exceeded liabilities and deferred inflows by \$13,741,179.35 at the close of the 2022 fiscal year.

The largest portion of the County’s net position reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is 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 themselves cannot be used to liquidate these liabilities.

Table A-1

Net Position						
September 30, 2022 and 2021						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Current Assets	\$16,695,029.55	\$12,784,256.12	\$ 655,146.23	\$ 861,524.93	\$17,350,175.78	\$13,645,781.05
Capital Asset, Net	12,905,678.76	13,326,435.27	931,049.31	651,811.36	13,836,728.07	13,978,246.63
Other Non-Current Assets	156,347.80	57,171.80			156,347.80	57,171.80
Total Assets	29,757,056.11	26,167,863.19	1,586,195.54	1,513,336.29	31,343,251.65	27,681,199.48
Deferred Outflows of Resources						
Deferred Loss on Refunding Employer Pension Contributions	171,540.27	171,561.20	41,818.28	35,139.04	213,358.55	206,700.24
Deferred Outflows of Resources Related to Pension Plan	267,253.36	305,804.59	67,466.64	84,577.41	334,720.00	390,382.00
Total Deferred Outflows of Resources	438,793.63	477,365.79	109,284.92	119,716.45	548,078.55	597,082.24
Current Liabilities	5,955,128.03	4,030,474.81	106,215.11	151,456.63	6,061,343.14	4,181,931.44
Long-Term Liabilities	7,203,056.54	8,643,458.91	412,135.53	679,112.63	7,615,192.07	9,322,571.54
Total Liabilities	13,158,184.57	12,673,933.72	518,350.64	830,569.26	13,676,535.21	13,504,502.98
Unavailable Revenue – Property Taxes	3,625,465.65	3,375,809.78			3,625,465.65	3,375,809.78
Deferred Inflows Related to Pension Plan Investments	680,687.50	187,079.74	167,462.49	47,130.25	848,149.99	234,209.99
Total Deferred Inflows of Resources	4,306,153.15	3,562,889.52	167,462.49	47,130.25	4,473,615.64	3,610,019.77
Net Position						
Invested in Capital Assets Net of Related Debt	5,813,356.65	5,536,351.20	931,049.31	266,118.68	6,744,405.96	5,802,469.88
Restricted	4,104,766.25	2,288,296.98			4,104,766.25	2,288,296.98
Unrestricted	2,813,389.12	2,583,757.56	78,618.02	489,234.55	2,892,007.14	3,072,992.11
Total Net Position	\$12,731,512.02	\$10,408,405.74	\$1,009,667.33	\$ 755,353.23	\$13,741,179.35	\$11,163,758.97

TABLE A-2

**Changes in Net Position
September 30, 2022 and 2021**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Revenues:						
Program Revenues						
Charges for Services	\$ 2,642,375.61	\$ 1,937,611.33	\$1,951,670.17	\$1,939,429.81	\$ 4,594,045.78	\$ 3,877,041.14
Operating Grants and Contributions	4,512,781.56	7,599,356.77			4,512,718.56	7,599,356.77
Capital Grants and Contributions	270,277.68	288,360.47			270,277.68	288,360.47
General Revenues						
Property Tax for General Purpose	2,745,054.97	2,479,082.19			2,745,054.97	2,479,082.19
Property Tax for Specific Purpose	1,149,848.19	1,131,540.95			1,149,848.19	1,131,540.95
County Sales and Use Tax	767,507.37	713,709.53			767,507.37	713,709.53
TVA in Lieu of Taxes	158,731.62	182,611.00			158,731.62	182,611.00
Interest Earned	4,133.13	9,109.71	333.69	471.56	4,466.82	9,581.27
Gain on Sale of Capital Assets	130,744.00	170,930.24		94,885.58	130,744.00	265,815.82
Miscellaneous Taxes	307,025.25	334,806.90	190.95		307,025.25	334,806.90
Miscellaneous Revenue	421,337.87	308,085.25		20,550.87	421,528.82	328,636.12
Transfers	(360,000.00)		360,000.00		-	-
Total Revenue	12,749,817.25	15,155,204.34	2,312,194.81	2,055,337.82	15,062,012.06	17,210,542.16
Expenses:						
General Government	3,019,475.32	6,143,709.78			3,019,475.32	6,143,709.78
Public Safety	2,431,414.41	2,306,234.01			2,431,414.41	2,306,234.01
Highways and Roads	3,665,233.19	4,070,047.51			3,665,233.19	4,070,047.51
Sanitation	54,995.35		2,057,880.71	1,979,942.93	2,112,876.06	1,979,942.93
Health	758,190.21	714,376.07			758,190.21	714,376.07
Welfare	65,701.59	55,740.13			65,701.59	55,740.13
Culture and Recreation	3,112.28	2,888.67			3,112.28	2,888.67
Education	16,142.85	86,382.48			16,142.85	86,382.48
Interest on Long-Term Debt	179,993.03	510,680.91			179,993.03	510,680.91
Intergovernmental	232,452.74	221,191.18			232,452.74	221,191.18
Total Expenses	10,426,710.97	14,111,250.74	2,057,880.71	1,979,942.93	12,484,591.68	16,091,193.67
Increase (Decrease) in Net Assets	2,323,106.28	1,043,953.60	254,314.10	75,394.89	2,577,420.38	1,119,348.49
Net Position - Beginning	10,408,405.74	9,364,452.14	755,353.23	679,958.34	11,163,758.97	10,044,410.48
Net Position - Ending	\$12,731,512.02	\$10,408,405.74	\$1,009,667.33	\$ 755,353.23	\$13,741,179.35	\$11,163,758.97

The County’s total governmental revenues were approximately 12.7 million. Approximately 31% of the County’s revenue comes from property taxes. Another 21% comes from fees charged for services and the majority of the remainder is state and federal aid.

The total cost of all governmental programs and services (excluding transfers) were approximately \$10.4 million. The County's expenses cover a range of services. The majority of the expenses related to general government (29%), public safety (23%) and highways and roads (35%) and other (13%).

MAJOR FUND DISCUSSION

General Fund

As of September 30, 2022, the cash balance was \$4,417,678.71. Fund balance in the General Fund increased by \$8,100.53 for the fiscal year.

Gasoline Tax Fund

As of September 30, 2022, the cash balance was \$469,874.52. Fund balance in the Gasoline Tax Fund increased by \$328,774.05 for the fiscal year.

ARPA Revenue Reduction Fund

The ARPA Fund had a cash balance of approximately 4.2 million dollars at the end of the fiscal year.

PROPRIETARY ACTIVITIES

The revenues exceeded expenditures for the sanitation fund by \$254,314.10 for the fiscal year. Net Position at the end of the fiscal year was \$1,009,667.33.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County Commission has established an annual budget process whereby all of the departments submit an annual budget request to the Commission for the coming year's operating expenses. The Commission reviews, adjusts as necessary and then adopts an original budget to fund the operating needs of each department. Throughout the year, the original budget is amended to reflect changes in funding needs. The County has established policies and procedures for amending the budget. Over the course of the year, the County revised the budget several times. These budget amendments consist mainly of increases in appropriations to prevent budget overruns and increases in revenue to reflect property taxes received.

The General Fund statement reflecting original and final budgets, plus actual compared to final budget amounts are shown on Exhibit 14.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2022, the Winston County Commission had invested \$13,836,728.07 (net of accumulated depreciation) in capital assets for its governmental and business-type activities. This investment in capital assets includes land and land improvements, buildings and improvements, and vehicles, equipment, and furniture.

There were no major additions or deletions during the year. The governmental activities had additions of \$497,907.22 and deletions of \$312,034.00. The business type activities had additions of \$457,130.95.

Table A-3	Capital Assets			
	Governmental Activities		Business-Type Activities	
	FY 2022	FY 2021	FY 2022	FY 2021
Land	\$ 614,577.38	\$ 614,577.38	\$ 28,900.00	\$ 28,900.00
Land Improvements	226,518.20	226,518.20		
Buildings	8,570,591.76	8,865,024.76	31,063.00	32,838.00
Equipment & Furniture	1,519,653.30	1,587,918.08	871,086.31	590,073.36
Infrastructure	1,974,338.12	2,032,396.85		
Total Capital Assets	\$ 12,905,678.76	\$ 13,326,435.27	\$ 931,049.31	\$ 651,811.36

Long-term debt was as follows.

Governmental Activities	Outstanding Debt	
	FY 2022	FY 2021
Warrants Payable	\$ 6,167,322.11	\$ 6,730,084.07
Long-Term Notes Payable		
Funding Agreements Payable	925,000.00	1,060,000.00
Deferred Amounts		
Pension Liability	680,749.82	1,405,272.81
Compensated Absences	170,581.05	162,071.10
Total	\$ 7,943,652.98	\$ 9,357,427.98

Long-term debt for the Business-Type activity was Compensated Absences in the amount of \$53,409.71, Net Pension Liability in the amount of \$174,693.19 and a note payable in the amount of \$279,956.01.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Property tax revenue is a major resource component for the County. It represents 31% of the resources to operate the governmental activities. In recent years, Winston County has experienced gradual growth in residential housing developments, particularly around Smith Lake. As our population grows, we expect our tax base to increase and help provide additional revenue to fund the increase in demand for services provided to our citizens. Other sources of revenue to finance governmental operations come from fees and charges for services which include permits, licenses and court fees. The County also received 4.2 million in ARPA funds in the 2022 fiscal year. This will be used to replace revenues lost as a result of the COVID 19 pandemic.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions concerning this report or need further information, contact the Winston County Commission, P.O. Box 147, 11 Blake Drive, Double Springs, Alabama, 35553.

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Basic Financial Statements

Statement of Net Position
September 30, 2022

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 12,696,855.07	\$ 329,420.04	\$ 13,026,275.11
Receivables (Note 4)	223,275.70	325,726.19	549,001.89
Ad Valorem Taxes Receivable	3,625,465.65		3,625,465.65
Inventories	149,433.13		149,433.13
Total Current Assets	16,695,029.55	655,146.23	17,350,175.78
<u>Noncurrent Assets</u>			
Cash with Fiscal Agent	156,347.80		156,347.80
Capital Assets (Note 5):			
Nondepreciable	841,095.58	28,900.00	869,995.58
Depreciable, Net	12,064,583.18	902,149.31	12,966,732.49
Total Noncurrent Assets	13,062,026.56	931,049.31	13,993,075.87
Total Assets	29,757,056.11	1,586,195.54	31,343,251.65
<u>Deferred Outflows of Resources</u>			
Employer Pension Contribution	171,540.27	41,818.28	213,358.55
Deferred Outflows Related to Net Pension Liability	267,253.36	67,466.64	334,720.00
Total Deferred Outflows of Resources	438,793.63	109,284.92	548,078.55
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	104,514.93	528.83	105,043.76
Due to Other Governments	533,848.18		533,848.18
Unearned Revenue	4,262,025.03		4,262,025.03
Accrued Wages Payable	40,258.81	9,762.90	50,021.71
Short-Term Notes Payable	237,393.68		237,393.68
Accrued Interest Payable	36,490.96		36,490.96
Long-Term Liabilities (Note 7):			
Portion Due or Payable Within One Year:			
Notes from Direct Borrowing		90,582.41	90,582.41
Warrants from Direct Placement	303,538.33		303,538.33
Warrants Payable	280,000.00		280,000.00
Funding Agreement Payable	140,000.00		140,000.00
Estimated Liability for Compensated Absences	17,058.11	5,340.97	22,399.08
Total Current Liabilities	\$ 5,955,128.03	\$ 106,215.11	\$ 6,061,343.14

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

	Governmental Activities	Business-Type Activities	Total
<u>Noncurrent Liabilities</u>			
Portion Due or Payable After One Year:			
Notes from Direct Borrowing	\$	\$ 189,373.60	\$ 189,373.60
Warrants from Direct Placement	1,038,783.78		1,038,783.78
Warrants Payable	4,545,000.00		4,545,000.00
Funding Agreement Payable	785,000.00		785,000.00
Net Pension Liability	680,749.82	174,693.19	855,443.01
Estimated Liability for Compensated Absences	153,522.94	48,068.74	201,591.68
Total Noncurrent Liabilities	<u>7,203,056.54</u>	<u>412,135.53</u>	<u>7,615,192.07</u>
Total Liabilities	<u>13,158,184.57</u>	<u>518,350.64</u>	<u>13,676,535.21</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	3,625,465.65		3,625,465.65
Deferred Inflows Related to Net Pension Liability	680,687.50	167,462.49	848,149.99
Total Deferred Inflows of Resources	<u>4,306,153.15</u>	<u>167,462.49</u>	<u>4,473,615.64</u>
<u>Net Position</u>			
Net Investment in Capital Assets	5,575,962.97	651,093.30	6,227,056.27
Restricted for:			
Highways and Roads	2,776,115.31		2,776,115.31
Other Purposes	1,170,455.80		1,170,455.80
Debt Service	119,856.84		119,856.84
Capital Projects	275,731.98		275,731.98
Unrestricted	<u>2,813,389.12</u>	<u>358,574.03</u>	<u>3,171,963.15</u>
Total Net Position	<u>\$ 12,731,512.02</u>	<u>\$ 1,009,667.33</u>	<u>\$ 13,741,179.35</u>

Statement of Activities

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 3,019,475.32	\$ 1,194,674.23	\$ 587,763.90	\$ 270,277.68	\$ (966,759.51)		\$ (966,759.51)
Public Safety	2,431,414.41	839,765.30	92,355.02		(1,499,294.09)		(1,499,294.09)
Highways and Roads	3,665,233.19	597,421.08	3,816,000.31		748,188.20		748,188.20
Sanitation	54,995.35				(54,995.35)		(54,995.35)
Health	758,190.21				(758,190.21)		(758,190.21)
Welfare	65,701.59	10,515.00			(55,186.59)		(55,186.59)
Culture and Recreation	3,112.28		16,662.33		13,550.05		13,550.05
Education	16,142.85				(16,142.85)		(16,142.85)
Interest and Fiscal Charges	179,993.03				(179,993.03)		(179,993.03)
Intergovernmental	232,452.74				(232,452.74)		(232,452.74)
Total Governmental Activities	10,426,710.97	2,642,375.61	4,512,781.56	270,277.68	(3,001,276.12)		(3,001,276.12)
Business-Type Activities:							
Sanitation	2,057,880.71	1,951,670.17				(106,210.54)	(106,210.54)
Total Business-Type Activities	2,057,880.71	1,951,670.17				(106,210.54)	(106,210.54)
Total Primary Government	\$ 12,484,591.68	\$ 4,594,045.78	\$ 4,512,781.56	\$ 270,277.68	(3,001,276.12)	(106,210.54)	(3,107,486.66)
General Revenues and Transfers:							
Taxes:							
Property Taxes for General Purposes					2,745,054.97		2,745,054.97
Property Taxes for Specific Purposes					1,149,848.19		1,149,848.19
County Sales and Use Taxes					767,507.37		767,507.37
Miscellaneous Taxes					307,025.25		307,025.25
Gain on Sale of Capital Assets					130,744.00		130,744.00
TVA In Lieu of Taxes					158,731.62		158,731.62
Interest Earned					4,133.13	333.69	4,466.82
Miscellaneous					421,337.87	190.95	421,528.82
Transfers					(360,000.00)	360,000.00	
Total General Revenues and Transfers					5,324,382.40	360,524.64	5,684,907.04
Change in Net Position					2,323,106.28	254,314.10	2,577,420.38
Net Position - Beginning of Year					10,408,405.74	755,353.23	11,163,758.97
Net Position - End of Year					\$ 12,731,512.02	\$ 1,009,667.33	\$ 13,741,179.35

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

Balance Sheet
Governmental Funds
September 30, 2022

	General Fund	Gasoline Tax Fund	ARPA Revenue Reduction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 4,417,678.71	\$ 469,874.52	\$ 4,211,516.61	\$ 3,597,785.23	\$ 12,696,855.07
Cash with Fiscal Agent				156,347.80	156,347.80
Receivables (Note 4)	2,241.96	72,425.57		148,608.17	223,275.70
Ad Valorem Taxes Receivable	2,596,901.40			1,028,564.25	3,625,465.65
Inventories		149,433.13			149,433.13
Total Assets	<u>7,016,822.07</u>	<u>691,733.22</u>	<u>4,211,516.61</u>	<u>4,931,305.45</u>	<u>16,851,377.35</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	104,514.93				104,514.93
Due to Other Governments	533,848.18				533,848.18
Unearned Revenue			4,211,516.61	50,508.42	4,262,025.03
Short-Term Notes Payable		237,393.68			237,393.68
Accrued Wages Payable	24,376.83	13,830.27		2,051.71	40,258.81
Total Liabilities	<u>662,739.94</u>	<u>251,223.95</u>	<u>4,211,516.61</u>	<u>52,560.13</u>	<u>5,178,040.63</u>
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	2,596,901.40			1,028,564.25	3,625,465.65
Total Deferred Inflows of Resources	<u>2,596,901.40</u>			<u>1,028,564.25</u>	<u>3,625,465.65</u>
Fund Balances					
Nonspendable:					
Inventories		149,433.13			149,433.13
Restricted for:					
Highways and Roads		291,076.14		2,247,645.49	2,538,721.63
Tourism				67,576.62	67,576.62
Jail Maintenance				266,465.44	266,465.44
Local Offices				663,384.50	663,384.50
Debt Service				156,347.80	156,347.80
Capital Projects				275,731.98	275,731.98
Other Purposes				173,029.24	173,029.24
Assigned for:					
Public Safety	188,090.57				188,090.57
Health	1,071.80				1,071.80
Unassigned	3,568,018.36				3,568,018.36
Total Fund Balances	<u>3,757,180.73</u>	<u>440,509.27</u>		<u>3,850,181.07</u>	<u>8,047,871.07</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,016,822.07</u>	<u>\$ 691,733.22</u>	<u>\$ 4,211,516.61</u>	<u>\$ 4,931,305.45</u>	<u>\$ 16,851,377.35</u>

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

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 8,047,871.07

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. 12,905,678.76

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

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 280,000.00	\$ 4,545,000.00	
Warrants from Direct Placement	303,538.33	1,038,783.78	
Funding Agreement Payable	140,000.00	785,000.00	
Accrued Interest Payable	36,490.96		
Net Pension Liability		680,749.82	
Compensated Absences	17,058.11	153,522.94	
Total Long-Term Liabilities	\$ 777,087.40	\$ 7,203,056.54	(7,980,143.94)

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

Deferred Inflows of Resources Related to Pensions	\$ (680,687.50)	
Deferred Outflows of Resources Related to Pensions	438,793.63	(241,893.87)

Total Net Position - Governmental Activities (Exhibit 1) \$ 12,731,512.02

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

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

	General Fund	Gasoline Tax Fund	ARPA Revenue Reduction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 3,143,341.50	\$	\$	\$ 1,018,867.28	\$ 4,162,208.78
Licenses and Permits	88,535.75				88,535.75
Intergovernmental	1,494,347.04	1,281,756.44	378,139.39	3,153,276.53	6,307,519.40
Charges for Services	877,880.36	597,421.08		535,046.88	2,010,348.32
Miscellaneous	235,468.11	75,523.52		99,469.37	410,461.00
Total Revenues	5,839,572.76	1,954,701.04	378,139.39	4,806,660.06	12,979,073.25
Expenditures					
Current:					
General Government	2,219,193.66		181,175.52	381,905.55	2,782,274.73
Public Safety	1,908,843.90		76,673.02	440,447.85	2,425,964.77
Highways and Roads	4,522.75	1,700,978.22	65,395.50	1,706,414.34	3,477,310.81
Sanitation			54,995.35		54,995.35
Health	31,533.00			726,657.21	758,190.21
Welfare	65,701.59				65,701.59
Culture and Recreation				3,112.28	3,112.28
Education	16,142.85				16,142.85
Intergovernmental	232,452.74				232,452.74
Capital Outlay	140,827.00	308,368.00		25,712.22	474,907.22
Debt Service:					
Principal Retirement		241,099.71		456,662.25	697,761.96
Interest and Fiscal Charges		42,502.93		140,346.32	182,849.25
Total Expenditures	4,619,217.49	2,292,948.86	378,239.39	3,881,258.02	11,171,663.76
Excess (Deficiency) of Revenues Over Expenditures	1,220,355.27	(338,247.82)	(100.00)	925,402.04	1,807,409.49
Other Financing Sources (Uses)					
Transfers In		523,618.99		697,234.87	1,220,853.86
Sale of Capital Assets		412,002.00			412,002.00
Transfers Out	(1,212,254.74)	(268,599.12)		(100,000.00)	(1,580,853.86)
Total Other Financing Sources (Uses)	(1,212,254.74)	667,021.87		597,234.87	52,002.00
Net Change in Fund Balances	8,100.53	328,774.05	(100.00)	1,522,636.91	1,859,411.49
Fund Balances - Beginning of Year	3,749,080.20	111,735.22	100.00	2,327,544.16	6,188,459.58
Fund Balances - End of Year	\$ 3,757,180.73	\$ 440,509.27	\$	\$ 3,850,181.07	\$ 8,047,871.07

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, 2022

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)	\$ 1,859,411.49
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$614,405.73) exceeded Capital Outlay (\$474,907.22) in the current period.	(139,498.51)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	697,761.96
In the Statement of Activities, the gain 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 balance by the cost of the capital assets sold.	(281,258.00)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consist of:	
Net Increase in Compensated Absences	\$ (8,509.95)
Net Change in Pension Expense	192,343.07
Net Decrease in Accrued Interest Payable	2,856.22
Total Additional Expenditures	<u>186,689.34</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 2,323,106.28</u>

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

Statement of Net Position
Proprietary Fund
September 30, 2022

	<u>Enterprise Fund</u> <u>Sanitation</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash	\$ 329,420.04	\$ 329,420.04
Receivables (Note 4)	325,726.19	325,726.19
Total Current Assets	655,146.23	655,146.23
<u>Noncurrent Assets</u>		
Capital Assets (Note 5):		
Nondepreciable	28,900.00	28,900.00
Depreciable, Net	902,149.31	902,149.31
Total Noncurrent Assets	931,049.31	931,049.31
Total Assets	1,586,195.54	1,586,195.54
<u>Deferred Outflows of Resources</u>		
Employer Pension Contribution	41,818.28	41,818.28
Deferred Outflows Related to Net Pension Liability	67,466.64	67,466.64
Total Deferred Outflows of Resources	109,284.92	109,284.92
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts Payable	528.83	528.83
Accrued Wages Payable	9,762.90	9,762.90
Portion Due or Payable Within One Year:		
Notes from Direct Borrowing	90,582.41	90,582.41
Estimated Liability for Compensated Absences	5,340.97	5,340.97
Total Current Liabilities	106,215.11	106,215.11
<u>Noncurrent Liabilities</u>		
Portion Due or Payable After One Year:		
Notes from Direct Borrowing	189,373.60	189,373.60
Estimated Liability for Compensated Absences	48,068.74	48,068.74
Net Pension Liability	174,693.19	174,693.19
Total Noncurrent Liabilities	412,135.53	412,135.53
Total Liabilities	\$ 518,350.64	\$ 518,350.64

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

	<u>Enterprise Fund</u> <u>Sanitation</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Deferred Inflows of Resources</u>		
Deferred Inflows Related to Net Pension Liability	\$ 167,462.49	\$ 167,462.49
Total Deferred Inflows of Resources	<u>167,462.49</u>	<u>167,462.49</u>
<u>Net Position</u>		
Net Investment in Capital Assets	931,049.31	931,049.31
Unrestricted	<u>78,618.02</u>	<u>78,618.02</u>
Total Net Position	<u>\$ 1,009,667.33</u>	<u>\$ 1,009,667.33</u>

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

	<u>Enterprise Fund</u> <u>Sanitation</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Operating Revenues</u>		
Charges for Services	\$ 1,951,670.17	\$ 1,951,670.17
Total Operating Revenues	<u>1,951,670.17</u>	<u>1,951,670.17</u>
<u>Operating Expenses</u>		
Employee Benefits and Payroll Taxes	946,402.12	946,402.12
Professional Services	2,988.00	2,988.00
Materials and Supplies	250,685.32	250,685.32
Repairs and Maintenance	151,922.05	151,922.05
Utilities and Postage	24,908.65	24,908.65
Insurance	48,986.33	48,986.33
Depreciation	177,893.00	177,893.00
Contract Services	440,346.02	440,346.02
Miscellaneous	4,487.91	4,487.91
Total Operating Expenses	<u>2,048,619.40</u>	<u>2,048,619.40</u>
Operating Income (Loss)	<u>(96,949.23)</u>	<u>(96,949.23)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest Expense	(9,261.31)	(9,261.31)
Miscellaneous Revenue	190.95	190.95
Interest Revenue	333.69	333.69
Total Nonoperating Revenues (Expenses)	<u>(8,736.67)</u>	<u>(8,736.67)</u>
Income (Loss) Before Transfers	<u>(105,685.90)</u>	<u>(105,685.90)</u>
<u>Operating Transfers</u>		
Transfers In	360,000.00	360,000.00
Total Operating Transfers	<u>360,000.00</u>	<u>360,000.00</u>
Change in Net Position	254,314.10	254,314.10
Net Position - Beginning of Year	<u>755,353.23</u>	<u>755,353.23</u>
Net Position - End of Year	<u>\$ 1,009,667.33</u>	<u>\$ 1,009,667.33</u>

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

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

	<u>Enterprise Fund</u> <u>Sanitation</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers	\$ 2,050,970.15	\$ 2,050,970.15
Payments to Suppliers	(926,486.60)	(926,486.60)
Payments to Employees	(1,019,957.98)	(1,019,957.98)
Net Cash Provided (Used) by Operating Activities	<u>104,525.57</u>	<u>104,525.57</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Other Cash Receipts	190.95	190.95
Cash Received From Other Funds	360,000.00	360,000.00
Net Cash Provided (Used) by Non Capital and Related Financing Activities	<u>360,190.95</u>	<u>360,190.95</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Interest Paid on Long-Term Note	(9,261.31)	(9,261.31)
Purchase of Capital Assets	(457,130.95)	(457,130.95)
Payments of Long Term Notes	(105,736.67)	(105,736.67)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(572,128.93)</u>	<u>(572,128.93)</u>
<u>Cash Flows from Investing Activities</u>		
Interest and Dividends	333.69	333.69
Net Cash Provided (Used) by Investing Activities	<u>333.69</u>	<u>333.69</u>
Net Increase (Decrease) in Cash	(107,078.72)	(107,078.72)
Cash - Beginning of Year	<u>436,498.76</u>	<u>436,498.76</u>
Cash - End of Year	<u>\$ 329,420.04</u>	<u>\$ 329,420.04</u>

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

	<u>Enterprise Fund</u> <u>Sanitation</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided (Used) by Operating Activities:</u>		
Operating Income (Loss)	\$ (96,949.23)	\$ (96,949.23)
<u>Adjustments to Reconcile Operating Income to Net</u>		
<u>Cash Provided (Used) by Operating Activities:</u>		
Depreciation Expense	177,893.00	177,893.00
Change in Assets and Liabilities:		
Decrease in Accounts Receivable	59,374.56	59,374.56
Decrease in Accounts Payable	(2,162.22)	(2,162.22)
Decrease in Interfund Activities	39,925.42	39,925.42
Pension Activity	(45,861.24)	(45,861.24)
Decrease in Wages Payable	(27,950.63)	(27,950.63)
Increase in Compensated Absences	255.91	255.91
Net Cash Provided by Operating Activities	<u>\$ 104,525.57</u>	<u>\$ 104,525.57</u>

Statement of Fiduciary Net Position
September 30, 2022

	Custodial Funds
<u>Assets</u>	
Cash	\$ 635,921.14
Receivables	1,029.76
Total Assets	<u>636,950.90</u>
<u>Liabilities</u>	
Accounts Payable	
Total Liabilities	
<u>Net Position</u>	
Held in Trust for Other Purposes	636,950.90
Total Net Position	<u>\$ 636,950.90</u>

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

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2022***

	Custodial Funds
<u>Additions</u>	
Taxes	\$ 10,919,337.64
Charges for Services	93,711.17
Miscellaneous	17,746.33
Total Additions	<u>11,030,795.14</u>
<u>Deductions</u>	
General Government	11,140,817.45
Total Deductions	<u>11,140,817.45</u>
Changes in Net Position	(110,022.31)
Net Position - Beginning of Year	<u>746,973.21</u>
Net Position - End of Year	<u><u>\$ 636,950.90</u></u>

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

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Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Winston 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 these criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditure of the seven-cent State gasoline tax revenue for construction, improvement, maintenance and supervision of highways, bridges and streets.
- ◆ **ARPA Revenue Reduction Fund** – This fund is used to account for the expenditures of federal funds awarded to the County to assist in the recovery from the COVID 19 pandemic.

The Commission reports the following major enterprise fund:

- ◆ **Sanitation Fund** – This fund is used to account for the cost of providing sanitation service to county residents.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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 report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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

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

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

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

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.

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

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2022

2. Receivables

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects and amounts due from the State for taxes and cost-sharing.

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

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

3. Inventories

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

4. Restricted Assets

Certain general obligation warrants, tax anticipation warrants, as well as resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. The Debt Service Funds are used to segregate resources accumulated for debt service payments.

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

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 and business-type activities columns in the government-wide financial statements. Such assets are valued at their original historical cost plus ancillary charges such as transportation, installation, and site preparation costs. Donated capital assets are valued at their acquisition value (plus any ancillary costs) at the acquisition date. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

	Capitalization Threshold	Estimated Useful Life
<u>Governmental Activities:</u>		
Buildings and Improvements	\$ 50,000	20 – 50 years
Vehicles, Equipment and Furniture	\$ 5,000	5 – 10 years
System Infrastructure	\$100,000	25 – 40 years
Roads	\$250,000	20 – 50 years
Bridges	\$ 50,000	40 – 50 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.

6. Deferred Outflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

7. Long-Term Obligations

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

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

8. Compensated Absences

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

Annual Leave

First-year employees earn annual leave at the rate of 40 hours: 1.5 hours for twenty-five pay periods and 2.5 hours for the twenty-sixth pay period. Thereafter, employees earn annual leave at the rate of 80 hours: 3 hours for twenty-five pay periods and 5 hours for the twenty-sixth pay period. Annual leave may be accrued, with a maximum accrual of 480 hours. Unused annual leave will be paid in full upon separation from the Commission.

Sick Leave

Sick leave accrues to regular, full-time employees at the rate of one day per calendar month worked to a maximum accrual of 150 days. Employees are not paid for any accumulated sick leave upon separation from the Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory leave is calculated at one and one-half times the regular hours. The courthouse is open one Saturday a month for four hours; compensatory leave for this time is calculated at twice the regular hours. Unused compensatory leave will be paid in full upon separation from the County.

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.

9. Deferred Inflows of Resources

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

10. Net Position/Fund Balances

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

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

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories and prepaid items.

- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

- D. Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or the County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. The portion of the total fund balance in the General Fund is available to finance operating expenditures.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Annual budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds except the capital projects funds which adopt project-length budgets. All appropriations lapse at fiscal year-end.

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

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

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

Note 3 – Deposits and Investments

Deposits

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

Note 4 – Receivables

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

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Governmental Funds:</u>				
<u>Receivables:</u>				
Intergovernmental	\$2,241.96	\$72,425.57	\$148,608.17	\$223,275.70
Total Receivables	<u>\$2,241.96</u>	<u>\$72,425.57</u>	<u>\$148,608.17</u>	<u>\$223,275.70</u>

	Sanitation Fund
<u>Business-Type Activities:</u>	
<u>Receivables:</u>	
Accounts Receivable	\$ 542,876.98
Less: Allowance for Doubtful Accounts	(217,150.79)
Net Total Receivables	<u>\$ 325,726.19</u>

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

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2022, the Commission reported \$4,211,516.61 in unearned revenue for unspent ARPA grant proceeds.

Note 5 – Capital Assets

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

	Balance 10/01/2021	Additions	Deletions	Balance 09/30/2022
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 614,577.38	\$	\$	\$ 614,577.38
Land Improvements	226,518.20			226,518.20
Total Not Being Depreciated	841,095.58			841,095.58
Capital Assets Being Depreciated:				
Infrastructure	2,902,986.21			2,902,986.21
Buildings and Improvements	12,095,673.16			12,095,673.16
Vehicles, Equipment and Furniture	5,197,240.10	474,907.22	(312,034.00)	5,360,113.32
Total Being Depreciated	20,195,899.47	474,907.22	(312,034.00)	20,358,772.69
Less Accumulated Depreciation for:				
Infrastructure	(870,589.36)	(58,058.73)		(928,648.09)
Buildings and Improvements	(3,230,648.40)	(294,433.00)		(3,525,081.40)
Vehicles, Equipment and Furniture	(3,609,322.02)	(261,914.00)	30,776.00	(3,840,460.02)
Total Accumulated Depreciation	(7,710,559.78)	(614,405.73)	30,776.00	(8,294,189.51)
Total Assets Being Depreciated, Net	12,485,339.69	(139,498.51)	(281,258.00)	12,064,583.18
Governmental Activities Capital Assets, Net	\$13,326,435.27	\$(139,498.51)	\$(281,258.00)	\$12,905,678.76

	Balance 10/01/2021	Additions	Deletions	Balance 09/30/2022
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 28,900.00	\$	\$	\$ 28,900.00
Total Not Being Depreciated	28,900.00			28,900.00
Capital Assets Being Depreciated:				
Buildings and Improvements	71,000.00			71,000.00
Vehicles, Equipment and Furniture	1,985,492.45	457,130.95		2,442,623.40
Total Being Depreciated	2,056,492.45	457,130.95		2,513,623.40
Less Accumulated Depreciation for:				
Buildings and Improvements	(38,162.00)	(1,775.00)		(39,937.00)
Vehicles, Equipment and Furniture	(1,395,419.09)	(176,118.00)		(1,571,537.09)
Total Accumulated Depreciation	(1,433,581.09)	(177,893.00)		(1,611,474.09)
Total Assets Being Depreciated, Net	622,911.36	279,237.95		902,149.31
Business-Type Activities Capital Assets, Net	\$ 651,811.36	\$ 279,237.95	\$	\$ 931,049.31

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

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$292,805.00
Public Safety	69,564.00
Highways and Roads	252,036.73
Total Depreciation Expense – Governmental Activities	<u>\$614,405.73</u>

	Current Year Depreciation Expense
Business-Type Activities:	
Sanitation	\$177,893.00
Total Depreciation Expense – Business-Type Activities	<u>\$177,893.00</u>

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees’ Retirement System of Alabama (ERS), an agent multiple-employer plan (the “Plan”), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in the Board of Control which consists of 15 trustees. Effective October 1, 2021, Act Number 2021-390, Acts of Alabama, created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

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

Benefits Provided

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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.

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

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 contribution rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2022, the Commission's active employee contribution rate was 6.37 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 5.60 percent of covered employee payroll.

Notes to the Financial Statements

For the Year Ended September 30, 2022

The Commission's contractually required contribution rate for the year ended September 30, 2022, was 7.01% of pensionable pay for Tier 1 employees, and 4.01% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$213,358.55 for the year ended September 30, 2022.

B. Net Pension Liability

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

	Total Pension Liability Roll-Forward			
	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) Total Pension Liability as of September 30, 2020	\$10,370,687	\$10,354,888	\$10,354,888	\$10,685,927
(b) Discount Rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 through September 30, 2021	270,686	270,686	270,686	292,603
(d) Transfers Among Employers		(44,170)	(44,170)	(44,170)
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 through September 30, 2021	(819,086)	(819,086)	(819,086)	(819,086)
(f) Total Pension Liability as of September 30, 2021 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$10,589,295</u>	<u>\$10,528,109</u>	<u>\$10,528,109</u>	<u>\$10,880,864</u>
(g) Difference between Expected and Actual		\$ (61,186)		
(h) Less Liability Transferred for Immediate Recognition		<u>(44,170)</u>		
(i) Difference between Expected and Actual – Experience (Gain)/Loss		<u>\$ (17,016)</u>		
(j) Difference between Actual TPL Before and After Act 2019-132 – Benefit Change (Gain)/Loss			<u>\$</u>	
(k) Difference between Actual TPL Before and After 2020 Experience Study – Assumption Change (Gain)/Loss				<u>\$ 353,755</u>

Notes to the Financial Statements

For the Year Ended September 30, 2022

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

C. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2020	\$10,370,687	\$ 8,614,096	\$ 1,756,591
Changes for the Year:			
Service Cost	270,686		270,686
Interest	767,008		767,008
Changes of Benefit Terms	352,755		352,755
Differences Between Expected and Actual Experience	(17,016)		(17,016)
Contributions – Employer		193,771	(193,771)
Contributions – Employee		218,042	(218,042)
Net investment income		1,862,768	(1,862,768)
Benefit Payments, Including Refunds of Employee Contributions	(819,086)	(819,086)	
Transfers Among Employers	(44,170)	(44,170)	
Net Changes	510,177	1,411,325	(901,148)
Balances at September 30, 2021	\$10,880,864	\$10,025,421	\$ 855,443

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/(Asset)	\$2,056,738	\$855,443	\$(158,985)

Notes to the Financial Statements

For the Year Ended September 30, 2022

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2021. The auditor's report dated August 19, 2022, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2022, the Commission recognized pension income of \$37,774.00. At September 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,098.00	\$129,207.00
Changes of assumptions	300,622.00	
Net difference between projected and actual earnings on pension plan investments		718,942.99
Employer contributions subsequent to the measurement date	213,358.55	
Total	\$548,078.55	\$848,149.99

The \$213,358.55 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. 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, 2023	\$(118,639)
2024	\$ (49,733)
2025	\$(145,478)
2026	\$(199,580)
2027	\$ 0
Thereafter	\$ 0

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

Note 7 – Long-Term Debt

On January 21, 2014, the Commission issued \$921,304.53 in Warrants from Direct Placement with an interest rate of 2.95 percent to refund the 2010 General Obligation Warrants.

On February 17, 2015, the Commission issued General Obligation Warrants with variable interest rates of 2.0 to 3.625 percent to refund the existing 2007 General Obligation Warrants. These warrants were refunded during the fiscal year 2020.

On August 1, 2014, the Commission entered into a funding agreement with the Cooperative District of Winston County, Alabama, an Alabama Public Corporation (the “District”) and First Commercial Bank as trustee to make total principal and interest payments in the amount of \$2,372,350.83 in bonds issued by the District.

On October 29, 2018, the Commission issued \$1,700,000.00 in Gasoline Tax Anticipation Warrants from Direct Placement. The purpose of these Warrants was to refund the outstanding principal on the 2013 Gasoline Tax Anticipation Warrants and to pay for improvements to certain roads and bridges in Winston County.

On June 30, 2020, the Commission issued \$5,365,000 in General Obligation Warrants. The purpose of these warrants was to refund the 2015 General Obligation Warrants.

The Commission has various notes from direct borrowings for the purpose of purchasing equipment.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

	Debt Outstanding 10/01/2021	Issued/ Increase	Repaid/ Decreased	Debt Outstanding 09/30/2022	Amounts Due Within One Year
Governmental Activities:					
Notes and Warrants Payable:					
2020 General Obligation Warrants	\$5,095,000.00	\$	\$ (270,000.00)	\$4,825,000.00	\$280,000.00
Warrant from Direct Placement-2018	1,044,254.54		(241,099.71)	803,154.83	250,352.04
Warrant from Direct Placement-2014	590,829.53		(51,662.25)	539,167.28	53,186.29
Funding Agreement Payable	1,060,000.00		(135,000.00)	925,000.00	140,000.00
Sub-Total	<u>7,790,084.07</u>		<u>(697,761.96)</u>	7,092,322.11	723,538.33
Other Liabilities:					
Net Pension Liability	1,405,272.81		(724,522.99)	680,749.82	
Estimated Liability for Compensated Absences	162,071.10	8,509.95		170,581.05	17,058.11
Total Other Liabilities	<u>1,567,343.91</u>	<u>8,509.95</u>	<u>(724,522.99)</u>	<u>851,330.87</u>	<u>17,058.11</u>
Total Governmental Activities Long-Term Liabilities	<u>9,357,427.98</u>	<u>8,509.95</u>	<u>(1,422,284.95)</u>	<u>7,943,652.98</u>	<u>740,596.44</u>
Business-Type Activities:					
Notes from Direct Borrowing	385,692.68		(105,736.67)	279,956.01	90,582.41
Sub-Total	<u>385,692.68</u>		<u>(105,736.67)</u>	<u>279,956.01</u>	<u>90,582.41</u>
Other Liabilities:					
Net Pension Liability	351,318.20		(176,625.01)	174,693.19	
Estimated Liability for Compensated Absences	53,153.80	255.91		53,409.71	5,340.97
Total Other Liabilities	<u>404,472.00</u>	<u>255.91</u>	<u>(176,625.01)</u>	<u>228,102.90</u>	<u>5,340.97</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 790,164.68</u>	<u>\$ 255.91</u>	<u>\$ (282,361.68)</u>	<u>\$ 508,058.91</u>	<u>\$ 95,923.38</u>

The Commission's outstanding notes from direct borrowing is secured by garbage trucks. The outstanding notes contain a provision that in the event of default, the bank may (1) declare outstanding amounts immediately due, plus all collection expenses, attorneys' fees, and interest at the default rate and/or (2) make collateral property available to sell for repayment of the note along with the application of any bank accounts held by the lender.

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the Debt Service Funds and the Capital Improvement Fund, except for the 2013 Gasoline Tax Anticipation Warrants which are paid out of the Gasoline Tax Fund. The long-term notes payables are paid by the General Fund and Sanitation Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 41% has been paid by the General Fund, 53% by the Gasoline Tax Fund and 6% by the Reappraisal Fund.

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

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

Fiscal Year Ending	Warrants from Direct Placement		Governmental Activities General Obligation Warrants		Funding Agreement Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
	September 30, 2023	\$ 303,538.33	\$ 41,886.36	\$ 280,000.00	\$100,275.00	\$140,000.00
2024	314,667.70	30,756.96	290,000.00	94,575.00	150,000.00	23,512.50
2025	326,269.42	19,155.30	295,000.00	88,725.00	150,000.00	19,462.50
2026	80,989.06	11,130.43	295,000.00	82,825.00	485,000.00	30,587.50
2027	59,744.42	9,347.30	300,000.00	76,875.00		
2028-2032	257,113.18	19,253.70	1,600,000.00	290,608.00		
2033-2037			1,765,000.00	108,436.00		
Total	\$1,342,322.11	\$131,530.05	\$4,825,000.00	\$842,319.00	\$925,000.00	\$100,855.00

Pledged Revenues

The Commission issued Series 2018 Gasoline Tax Anticipation Warrants for the purposes of refunding the 2013 Gasoline Tax Anticipation Warrants and resurfacing, restoring and rehabilitating public roads and replacing public bridges. The Commission pledged to repay the gasoline tax anticipation warrants from the County's portion of the proceeds of the Seven-cent gasoline taxes levied by the State of Alabama. Future revenues of \$852,026.74 are pledged to repay the principal and interest on the warrants as of September 30, 2022. Proceeds of the Seven-cent gasoline tax in the amount of \$823,254.90 were received by the Commission during the fiscal year ended September 30, 2022, of which \$275,333.02 was used to pay principal and interest on the warrants. The Series 2018 Gasoline Tax Anticipation Warrants will mature in fiscal year 2026.

The Commission issued Series 2020 General Obligation Warrants for the purpose of refunding the Series 2015 General Obligation Warrants. The Commission pledged to repay the general obligation warrants from a special ad valorem tax levied by the Commission at the rate of 2.5 mills on each dollar of assessed value of taxable property in the county and a \$30.00 court charge on every criminal and quasi-criminal case filed levied pursuant to Act Number 91-305, Acts of Alabama. Future revenues of \$5,667,319.00 are pledged to repay the principal and interest on the warrants as of September 30, 2022. Proceeds of the 2.5 mills in the amount of \$910,441.49 and proceeds of the court costs in the amount of \$69,339.48 were received by the Commission during the fiscal year ended September 30, 2022, of which \$375,772.45 was used to pay principal and interest on the warrants. The Series 2020 General Obligation Warrants will mature in fiscal year 2037.

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

Business-Type Activities		Total Principal and Interest Requirements to Maturity
Notes from Direct Borrowing		
Principal	Interest	
\$ 90,582.41	\$ 7,677.99	\$ 991,252.59
93,289.97	4,970.43	1,001,772.56
96,083.63	2,176.77	996,872.62
		985,531.99
		445,966.72
		2,166,974.88
		1,873,436.00
\$279,956.01	\$14,825.19	\$8,461,807.36

Funding Agreement

On August 1, 2014, the Commission entered into a funding agreement with The Cooperative District of Winston County, Alabama, an Alabama public corporation (the “District”) and First Commercial Bank as trustee to make total principal and interest payments in the amount of \$2,042,185.00 on bonds issued by the District. The Funding Agreement will be effective on the date of delivery of the Bonds for a term ending upon the earlier of full performance by the Commission of its obligation thereunder, or the date on which the bonds are paid in full and retired or provision made therefore as provided in the indenture. The purpose of the 2014 issue was to refund a similar funding agreement dated July 1, 2008, as well as to provide additional funding for the Cooperative District. The Commission is required to establish a special fund designated the “Funding Agreement Fund.” Money in the Funding Agreement Fund shall be used solely for the payment of principal and interest payments on bonds issued by the District. The Commission shall pay or cause to be paid into the Funding Agreement Fund from the taxes, revenues, or funds of the Commission amounts sufficient to provide for the due and punctual payment of principal and interest on bonds issued by the District. The obligations of the Commission to make principal and interest payment on the bonds issued by the District shall constitute a general obligation of the Commission for which the full faith, credit, and taxing power of the Commission are hereby irrevocably pledged and shall be absolute and unconditional under any and all circumstances and in no way conditioned or contingent upon any attempt to collect any of such amounts from the District or any other person or to realize upon any property subject to indenture or upon any other direct or indirect security for the bonds or resort to any other remedies.

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

Note 8 – Short-Term Debt

The Commission borrowed \$237,393.68 in order to purchase road equipment. This amount was paid off in the following fiscal year.

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable	\$309,784.00	\$237,393.68	\$309,784.00	\$237,393.68

Note 9 – Risk Management

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

The Commission has workers’ compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers’ Compensation Self Insurance Fund, a public entity risk pool. Premiums are based on a rate per \$100 of remuneration for each class of employee which is adjusted by an experience modifier for the individual county. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission may qualify for additional discounts based on losses and premium size.

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

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

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

Note 10 – Interfund Transactions

Interfund Transfers

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

	Transfers Out			Totals
	General Fund	Gasoline Tax Fund	Other Governmental Funds	
Transfers In:				
Gasoline Tax Fund	\$ 423,618.99	\$	\$100,000.00	\$ 523,618.99
Other Governmental Funds	428,635.75	268,599.12		697,234.87
Sanitation Fund	360,000.00			360,000.00
Totals	\$1,212,254.74	\$268,599.12	\$100,000.00	\$1,580,853.86

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

Note 11 – Subsequent Event

On June 16, 2023, the Commission refinanced a Note from Direct Borrowing in the amount of \$237,393.68, with an interest rate of 7.25%. The original note was entered into on June 16, 2022 to purchase two Tri-axle Mack Dump Trucks. On August 12, 2024, the Commission voted to extend this note by 180 days at a rate of 5.83%.

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Required Supplementary Information

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 270,686	\$ 258,335	\$ 263,048	\$ 256,874	\$ 263,242	\$ 277,660	\$ 278,463	\$ 281,349
Interest	767,008	760,119	734,828	712,568	708,383	696,736	671,215	639,383
Changes of benefit terms		178,953						
Differences between expected and actual experience	(17,016)	(84,479)	59,924	22,995	(279,543)	(340,251)	(54,099)	
Changes of assumptions	352,755			50,063		202,012		
Benefit payments, including refunds of employee contributions	(819,086)	(733,650)	(678,740)	(646,384)	(591,541)	(555,721)	(597,401)	(448,260)
Transfers among employers	(44,170)	(247,089)	(23,147)	(31,151)	(19,114)	168,695		
Net change in total pension liability	510,177	132,189	355,913	364,965	81,427	449,131	298,178	472,472
Total pension liability - beginning	10,370,687	10,238,498	9,882,585	9,517,620	9,436,193	8,987,062	8,688,884	8,216,412
Total pension liability - ending (a)	\$ 10,880,864	\$ 10,370,687	\$ 10,238,498	\$ 9,882,585	\$ 9,517,620	\$ 9,436,193	\$ 8,987,062	\$ 8,688,884
Plan fiduciary net position								
Contributions - employer	\$ 193,771	\$ 165,148	\$ 168,840	\$ 187,170	\$ 216,380	\$ 216,206	\$ 234,578	\$ 246,694
Contributions - employee	218,042	189,190	176,216	174,883	169,763	167,544	164,286	165,349
Net investment income	1,862,768	482,555	223,725	766,502	970,744	711,276	84,054	782,711
Benefit payments, including refunds of employee contributions	(819,086)	(733,650)	(678,740)	(646,384)	(591,541)	(555,721)	(597,401)	(448,260)
Other (Transfers among employers)	(44,170)	(247,089)	(23,147)	(31,151)	(19,114)	168,695	(167,926)	(39,520)
Net change in plan fiduciary net position	1,411,325	(143,846)	(133,106)	451,020	746,232	708,000	(282,409)	706,974
Plan fiduciary net position - beginning	8,614,096	8,757,942	8,891,048	8,440,028	7,693,796	6,985,796	7,268,205	6,561,231
Plan fiduciary net position - ending (b)	\$ 10,025,421	\$ 8,614,096	\$ 8,757,942	\$ 8,891,048	\$ 8,440,028	\$ 7,693,796	\$ 6,985,796	\$ 7,268,205
Commission's net pension liability - ending (a) - (b)	\$ 855,443	\$ 1,756,591	\$ 1,480,556	\$ 991,537	\$ 1,077,592	\$ 1,742,397	\$ 2,001,266	\$ 1,420,679
Plan fiduciary net position as a percentage of the total pension liability	92.14%	83.06%	85.54%	89.97%	88.68%	81.53%	77.73%	83.65%
Covered payroll (*)	\$ 3,460,067	\$ 3,611,240	\$ 3,501,532	\$ 3,200,419	\$ 3,081,536	\$ 3,106,794	\$ 3,094,685	\$ 3,130,903
Commission's net pension liability as a percentage of covered payroll	24.72%	48.64%	42.28%	30.98%	34.97%	56.08%	64.67%	45.38%

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 213,359	\$ 193,771	\$ 165,148	\$ 168,840	\$ 187,170	\$ 216,380	\$ 216,206	\$ 234,578	\$ 246,694
Contributions in relation to the actuarially determined contribution (*)	\$ 213,359	\$ 193,771	\$ 165,148	\$ 168,840	\$ 187,170	\$ 216,380	\$ 216,206	\$ 234,578	\$ 246,694
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 3,811,639	\$ 3,460,067	\$ 3,611,240	\$ 3,501,532	\$ 3,200,419	\$ 3,081,536	\$ 3,106,794	\$ 3,094,685	\$ 3,130,903
Contributions as a percentage of covered payroll	5.60%	5.60%	4.57%	4.82%	5.85%	7.02%	6.96%	7.58%	7.88%

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

(**) Employer's covered payroll for fiscal year 2022 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	20.4 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25-5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 2,291,036.54	\$ 2,291,036.04	\$ 2,219,181.24	(1) \$ 924,160.26	\$ 3,143,341.50
Licenses and Permits	85,000.00	85,000.00	88,535.75		88,535.75
Intergovernmental	914,300.00	892,300.00	1,483,832.04	(1) 10,515.00	1,494,347.04
Charges for Services	714,821.77	736,821.77	877,880.36		877,880.36
Miscellaneous	61,885.50	61,885.50	234,514.54	(1) 953.57	235,468.11
Total Revenues	<u>4,067,043.81</u>	<u>4,067,043.31</u>	<u>4,903,943.93</u>	<u>935,628.83</u>	<u>5,839,572.76</u>
Expenditures					
Current:					
General Government	2,285,720.89	2,285,720.89	2,219,193.66		2,219,193.66
Public Safety	2,088,873.31	2,088,873.31	1,908,843.90		1,908,843.90
Highways and Roads	5,320.00	5,320.00	4,522.75		4,522.75
Health				(2) 31,533.00	31,533.00
Welfare	66,000.00	66,000.00	65,701.59		65,701.59
Education	16,200.00	16,200.00	16,142.85		16,142.85
Intergovernmental	243,123.00	243,123.00	232,452.74		232,452.74
Capital Outlay	195,500.00	195,500.00	140,827.00		140,827.00
Debt Service:					
Principal Retirement	270,000.00	270,000.00			
Interest and Fiscal Charges	105,775.00	105,775.00			
Total Expenditures	<u>5,276,512.20</u>	<u>5,276,512.20</u>	<u>4,587,684.49</u>	<u>31,533.00</u>	<u>4,619,217.49</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,209,468.39)</u>	<u>(1,209,468.89)</u>	<u>316,259.44</u>	<u>904,095.83</u>	<u>1,220,355.27</u>
Other Financing Sources (Uses)					
Transfers In	300,000.00	300,000.00			
Sale of Capital Assets					
Transfers Out	(526,000.00)	(526,000.00)	(897,440.94)	(3) (314,813.80)	(1,212,254.74)
Total Other Financing Sources (Uses)	<u>(226,000.00)</u>	<u>(226,000.00)</u>	<u>(897,440.94)</u>	<u>(314,813.80)</u>	<u>(1,212,254.74)</u>
Net Change in Fund Balances	(1,435,468.39)	(1,435,468.89)	(581,181.50)	589,282.03	8,100.53
Fund Balances - Beginning of Year	2,485,686.41	2,485,616.41	2,485,686.41	(4) 1,263,393.79	3,749,080.20
Fund Balances - End of Year	<u>\$ 1,050,218.02</u>	<u>\$ 1,050,147.52</u>	<u>\$ 1,904,504.91</u>	<u>\$ 1,852,675.82</u>	<u>\$ 3,757,180.73</u>

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

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

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

(1) Revenues			
Winston County Dog Pound Fund	\$	10,517.23	
Public Buildings, Roads and Bridges Fund		<u>925,111.60</u>	\$ 935,628.83
(2) Expenditures			
Winston County Dog Pound Fund	\$	<u>(31,533.00)</u>	(31,533.00)
(3) Other Financing Sources (Uses) Net			
Winston County Dog Pound Fund	\$	20,000.00	
Public Buildings, Roads and Bridges Fund		<u>(334,813.80)</u>	<u>(314,813.80)</u>
Net Increase in Fund Balance - Budget to GAAP			<u>\$ 589,282.03</u>

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Intergovernmental	\$ 1,265,000.00	\$ 1,265,000.00	\$ 1,281,756.44	\$	\$ 1,281,756.44
Charges for Services			597,421.08		597,421.08
Miscellaneous	656,100.00	656,100.00	75,523.52		75,523.52
Total Revenues	1,921,100.00	1,921,100.00	1,954,701.04		1,954,701.04
Expenditures					
Current:					
Highways and Roads	2,600,071.20	2,600,071.20	1,700,978.22		1,700,978.22
Capital Outlay	953,886.43	953,886.43	308,368.00		308,368.00
Debt Service:					
Principal Retirement	541,285.96	541,285.96	241,099.71		241,099.71
Interest and Fiscal Charges	50,995.74	50,995.74	42,502.93		42,502.93
Total Expenditures	4,146,239.33	4,146,239.33	2,292,948.86		2,292,948.86
Excess (Deficiency) of Revenues Over Expenditures	(2,225,139.33)	(2,225,139.33)	(338,247.82)		(338,247.82)
Other Financing Sources (Uses)					
Transfers In	1,878,700.23	1,878,700.23	523,618.99		523,618.99
Sale of Capital Assets			412,002.00		412,002.00
Proceeds from Issuance of Debt	315,000.00	315,000.00			
Transfers Out	(268,599.12)	(268,599.12)	(268,599.12)		(268,599.12)
Total Other Financing Sources (Uses)	1,925,101.11	1,925,101.11	667,021.87		667,021.87
Net Change in Fund Balances	(300,038.22)	(300,038.22)	328,774.05		328,774.05
Fund Balances - Beginning of Year	310,000.00	310,000.00	111,735.22		111,735.22
Fund Balances - End of Year	\$ 9,961.78	\$ 9,961.78	\$ 440,509.27	\$	\$ 440,509.27

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Intergovernmental	\$ 2,294,928.00	\$ 2,294,928.00	\$ 378,139.39	\$	\$ 378,139.39
Total Revenues	2,294,928.00	2,294,928.00	378,139.39		378,139.39
Expenditures					
Current:					
General Government	212,632.83	212,632.83	181,175.52		181,175.52
Public Safety	49,640.85	49,640.85	76,673.02		76,673.02
Highways and Roads	65,795.00	65,795.00	65,395.50		65,395.50
Sanitation	55,061.00	55,061.00	54,995.35		54,995.35
Total Expenditures	383,129.68	383,129.68	378,239.39		378,239.39
Excess (Deficiency) of Revenues Over Expenditures	1,911,798.32	1,911,798.32	(100.00)		(100.00)
Net Change in Fund Balances	1,911,798.32	1,911,798.32	(100.00)		(100.00)
Fund Balances - Beginning of Year	100.00	100.00	100.00		100.00
Fund Balances - End of Year	\$ 1,911,898.32	\$ 1,911,898.32	\$	\$	\$

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Additional Information

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

<u>Commission Members</u>		<u>Term Expires</u>
Hon. Roger Hayes	Chairman	2024
Hon. David Cummings, Jr.	Member	2026
Hon. Bobby Everett	Member	2022
<u>Administrative Personnel</u>		
Judy Burnett	Administrator	Indefinite

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

Independent Auditor's Report

Members of the Winston County Commission and County Administrator
Double Springs, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winston County Commission, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Winston County Commission's basic financial statements, and have issued our report thereon dated November 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Winston 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 Winston County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Winston 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

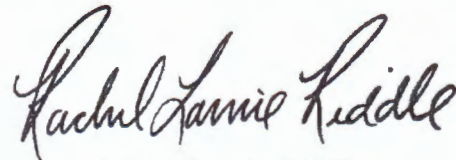
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Report on Compliance and Other Matters

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 1, 2024