



# Morgan County Commission

## Morgan County, Alabama

October 1, 2023 through September 30, 2024

Filed: January 23, 2026

ALABAMA DEPARTMENT OF  
**EXAMINERS** of Public Accounts

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





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

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Rachel Laurie Riddle  
*Chief Examiner*

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

Dear Madam:

An audit was conducted on the Morgan County Commission, Morgan County, Alabama, for the period October 1, 2023 through September 30, 2024, by Examiners Matthew Posey and Julia H. Wells. I, Julia H. Wells, 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,

Julia H. Wells  
Examiner of Public Accounts

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## *Table of Contents*

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	<i>Page</i>
<b>Summary</b>	A
Contains items pertaining to federal, state and local legal compliance, Commission operations and other matters.	
<b>Independent Auditor's Report</b>	B
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
<b><u>Basic Financial Statements</u></b>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.	
Exhibit #1 Statement of Net Position	2
Exhibit #2 Statement of Activities	4
Exhibit #3 Balance Sheet – Governmental Funds	5
Exhibit #4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Exhibit #5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Exhibit #7 Statement of Net Position – Proprietary Fund	10
Exhibit #8 Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	12
Exhibit #9 Statement of Cash Flows – Proprietary Fund	13



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---

## *Table of Contents*

---

	<i>Page</i>
Exhibit #10 Statement of Fiduciary Net Position	14
Exhibit #11 Statement of Changes in Fiduciary Net Position	15
<b>Notes to the Financial Statements</b>	16
<b><u>Required Supplementary Information</u></b>	52
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #12 Schedule of Changes in the Employer's Net Pension Liability	53
Exhibit #13 Schedule of the Employer's Contributions – Pension	54
Exhibit #14 Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability	55
Exhibit #15 Schedule of the Employer's Contributions – Other Postemployment Benefits (OPEB)	56
Exhibit #16 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	57
Exhibit #17 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – ARPA Revenue Reduction Fund	59
Exhibit #18 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Coronavirus Rescue Act Fund	60
<b><u>Supplementary Information</u></b>	61
Contains financial information and notes relative to federal financial assistance.	
Exhibit #19 Schedule of Expenditures of Federal Awards	62
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	64



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---

## Table of Contents

---

	<i>Page</i>
<b><u>Additional Information</u></b>	65
Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <b><i>Code of Federal Regulations</i></b> Part 200, <b><i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i></b> for federal compliance audits.	
Exhibit #20 <b>Commission Members and Administrative Personnel</b> – a listing of the Commission members and administrative personnel.	66
Exhibit #21 <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> – a report on internal controls related to the financial statements and whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements.	67
Exhibit #22 <b>Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i></b> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the Commission complied with federal statutes, regulations, and the terms and conditions of its federal awards which could have a direct and material effect on each major program.	69
Exhibit #23 <b>Schedule of Findings and Questioned Costs</b> – a schedule summarizing the results of audit findings relating to the financial statements as required by <b><i>Government Auditing Standards</i></b> and findings and questioned costs for federal awards as required by the <b><i>Uniform Guidance</i></b> .	73

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

The Morgan County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Morgan County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 20. 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 Morgan County.

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

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

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

**EXIT CONFERENCE**

Commission members and administrative personnel, as reflected on Exhibit 20, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Ray Long, Chairman; Julie M. Reeves, Chief Administrative Officer; and Commissioners Jeff Clark and Randy Vest. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: April Purser, Audit Manager; Matthew Posey, Examiner; and Julia H. Wells, Examiner.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of Morgan County Commission and Chief Administrative Officer  
Decatur, 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 Morgan County Commission, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Morgan 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 Morgan County Commission, as of September 30, 2024, 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 Morgan County Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 18), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

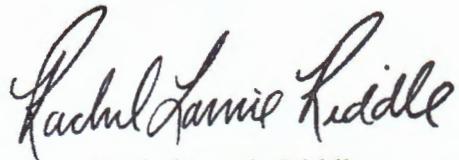
Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morgan County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 19), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (***Uniform Guidance***), is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated December 19, 2025, on our consideration of the Morgan 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Morgan 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 Morgan County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

December 19, 2025

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# *Basic Financial Statements*

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 45,454,988.38	\$ 1,970,222.98	\$ 47,425,211.36
Investments	18,276,189.72		18,276,189.72
Ad Valorem Taxes Receivable	24,143,732.42		24,143,732.42
Receivables (Note 4)	3,582,367.03	441,854.44	4,024,221.47
Prepaid Items	222,712.56		222,712.56
Total Current Assets	91,679,990.11	2,412,077.42	94,092,067.53
<b>Noncurrent Assets</b>			
Restricted Cash with Fiscal Agent	269,980.75		269,980.75
Capital Assets (Note 5):			
Nondepreciable	6,360,842.98		6,360,842.98
Depreciable, Net	61,673,505.44	3,484,460.73	65,157,966.17
Total Noncurrent Assets	68,304,329.17	3,484,460.73	71,788,789.90
Total Assets	159,984,319.28	5,896,538.15	165,880,857.43
<b>Deferred Outflows of Resources</b>			
Employer Pension Contributions	1,376,988.88	59,467.29	1,436,456.17
Other Postemployment Benefits (OPEB) Contributions	425,983.00		425,983.00
Deferred Outflows Related to Net Pension Liability	4,815,650.16	236,611.76	5,052,261.92
Deferred Outflows Related to Other Postemployment Benefits (OPEB) Liability	1,614,836.35	73,401.65	1,688,238.00
Total Deferred Outflows of Resources	8,233,458.39	369,480.70	8,602,939.09
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables (Note 8)	9,058,760.03	79,793.72	9,138,553.75
Unearned Revenue	17,156,420.82		17,156,420.82
Accrued Interest Payable	270,281.99		270,281.99
Accrued Wages Payable	475,784.37	18,365.19	494,149.56
Estimated Claims Cost Payable	234,387.50	14,455.16	248,842.66
Long-Term Liabilities:			
Portion Payable Within One Year:			
Warrants Payable	1,970,000.00		1,970,000.00
Note from Direct Borrowing	154,545.66		154,545.66
Lease Liability	125,960.23		125,960.23
Premium on Bond Issuance	209,956.06		209,956.06
Estimated Liability for Compensated Absences	507,992.05	14,163.97	522,156.02
Total Current Liabilities	\$ 30,164,088.71	\$ 126,778.04	\$ 30,290,866.75

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Noncurrent Liabilities</b>			
Portion Payable After One Year:			
Warrants Payable	\$ 12,015,000.00	\$ 12,015,000.00	
Note from Direct Borrowing	206,623.43	206,623.43	
Lease Liability	271,452.62	271,452.62	
Premium on Bond Issuance	1,052,173.86	1,052,173.86	
Estimated Liability for Compensated Absences	1,098,962.16	41,998.44	1,140,960.60
Other Postemployment Benefits (OPEB) Liability	6,341,038.41	307,751.60	6,648,790.01
Net Pension Liability	18,244,751.93	759,089.08	19,003,841.01
Total Noncurrent Liabilities	<u>39,230,002.41</u>	<u>1,108,839.12</u>	<u>40,338,841.53</u>
Total Liabilities	<u>69,394,091.12</u>	<u>1,235,617.16</u>	<u>70,629,708.28</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue - Property Taxes	24,143,732.42	24,143,732.42	
Revenue Received in Advance - Motor Vehicle Taxes	1,291,336.30	1,291,336.30	
Deferred Inflows Related to Net Pension Liability	43,575.92	43,575.92	
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Liability	2,096,074.87	95,276.13	2,191,351.00
Total Deferred Inflows of Resources	<u>27,574,719.51</u>	<u>95,276.13</u>	<u>27,669,995.64</u>
<b>Net Position</b>			
Net Investment in Capital Assets	52,028,636.56	3,484,460.73	55,513,097.29
Restricted for:			
Debt Service	32,043.24	32,043.24	
Law Enforcement	241,693.34	241,693.34	
Highways and Roads	2,488,079.09	2,488,079.09	
Capital Projects	3,088,533.11	3,088,533.11	
Other Purposes	9,799,403.20	9,799,403.20	
Unrestricted	<u>3,570,578.50</u>	<u>1,450,664.83</u>	<u>5,021,243.33</u>
Total Net Position	<u>\$ 71,248,967.04</u>	<u>\$ 4,935,125.56</u>	<u>\$ 76,184,092.60</u>

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

**Statement of Activities**  
**For the Year Ended September 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government Governmental Activities</b>							
General Government	\$ 13,631,876.85	\$ 6,519,565.69	\$ 516,250.88	\$ 1,162,644.47	\$ (5,433,415.81)	\$ (13,180,844.84)	\$ (5,433,415.81)
Public Safety	26,326,797.02	2,227,717.43	10,918,234.75		(8,040,170.24)		(8,040,170.24)
Highways and Roads	15,035,385.33	208,039.13	4,272,436.49	2,514,739.47	26,679.84		26,679.84
Sanitation	965,579.66		247,304.09	744,955.41			
Health	676,986.40	69,642.00	107,370.77		(499,973.63)		(499,973.63)
Welfare	706,028.71	117.13	118,776.52		(587,135.06)		(587,135.06)
Culture and Recreation	2,136,123.19	284,311.51		50,000.00	(1,801,811.68)		(1,801,811.68)
Education	56,023.25				(56,023.25)		(56,023.25)
Interest and Fiscal Charges	612,974.22				(612,974.22)		(612,974.22)
Total Governmental Activities	60,147,774.63	9,309,392.89	16,180,373.50	4,472,339.35	(30,185,668.89)		(30,185,668.89)
<b>Business-Type Activities:</b>							
Environmental Services	3,988,673.37	4,015,106.15			26,432.78		26,432.78
Total Business-Type Activities	3,988,673.37	4,015,106.15			26,432.78		26,432.78
Total Primary Government	\$ 64,136,448.00	\$ 13,324,499.04	\$ 16,180,373.50	\$ 4,472,339.35		26,432.78	(30,159,236.11)
<b>General Revenues:</b>							
Taxes:							
Property Taxes for General Purposes				16,421,265.61			16,421,265.61
Property Taxes for Specific Purposes				9,989,178.40			9,989,178.40
TVA Payments In-Lieu of Taxes				2,192,350.28			2,192,350.28
Miscellaneous Taxes				916,660.54			916,660.54
Grants and Contributions Not Restricted for Specific Programs				824,538.97			824,538.97
Investment Earnings				2,953,467.52	71,985.89		3,025,453.41
Sale of Scrap Equipment					11,788.50		11,788.50
Gain on Disposal of Assets				89,660.44			89,660.44
Miscellaneous				937,253.48	149,024.84		1,086,278.32
Total General Revenues				34,324,375.24	232,799.23		34,557,174.47
Changes in Net Position				4,138,706.35	259,232.01		4,397,938.36
Net Position - Beginning of Year				67,110,260.69	4,675,893.55		71,786,154.24
Net Position - End of Year				\$ 71,248,967.04	\$ 4,935,125.56	\$ 76,184,092.60	

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

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2024**

	General Fund	ARPA Revenue Reduction Fund	Coronavirus Rescue Act Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 21,867,033.94	\$ 1,206,046.30	\$ 730,711.46	\$ 21,651,196.68	\$ 45,454,988.38
Cash with Fiscal Agent				269,980.75	269,980.75
Investments		8,280,680.53	9,995,509.19		18,276,189.72
Ad Valorem Taxes Receivable	22,570,000.00			1,573,732.42	24,143,732.42
Receivables (Note 4)	2,028,457.28			1,553,909.75	3,582,367.03
Interfund Receivables	805,642.50				805,642.50
Prepaid Items	222,712.56				222,712.56
Total Assets	47,493,846.28	9,486,726.83	10,726,220.65	25,048,819.60	92,755,613.36
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Payables (Note 8)	4,526,141.02	870,366.88	57,097.39	3,605,154.74	9,058,760.03
Interfund Payables		250,000.00	250,000.00	305,642.50	805,642.50
Unearned Revenue	5,796.29	7,468,253.32	9,422,603.63	259,767.58	17,156,420.82
Accrued Wages Payable	380,794.32			94,990.05	475,784.37
Estimated Claims Cost Payable	188,570.42			45,817.08	234,387.50
Total Liabilities	5,101,302.05	8,588,620.20	9,729,701.02	4,311,371.95	27,730,995.22
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Property Taxes	22,570,000.00			1,573,732.42	24,143,732.42
Revenue Received in Advance - Motor Vehicle Taxes	1,291,336.30				1,291,336.30
Total Deferred Inflows of Resources	23,861,336.30			1,573,732.42	25,435,068.72
<b>Fund Balances</b>					
Nonspendable:					
Prepaid Items		222,712.56			222,712.56
Restricted for:					
Debt Service				302,325.23	302,325.23
Capital Projects				3,088,533.11	3,088,533.11
Highways and Roads				2,488,079.09	2,488,079.09
Law Enforcement				241,693.34	241,693.34
Other Purposes				9,799,403.20	9,799,403.20
Assigned to:					
Debt Service				2,647,992.27	2,647,992.27
Highways and Roads				590,303.21	590,303.21
Other Purposes		898,106.63	996,519.63	5,385.78	1,900,012.04
Unassigned	18,308,495.37				18,308,495.37
Total Fund Balances	18,531,207.93	898,106.63	996,519.63	19,163,715.23	39,589,549.42
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 47,493,846.28	\$ 9,486,726.83	\$ 10,726,220.65	\$ 25,048,819.60	\$ 92,755,613.36

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

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

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Total Fund Balances - Governmental Funds (Exhibit 3) \$ 39,589,549.42

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:

The Cost of Capital Assets is	\$ 120,405,963.51
Accumulated Depreciation is	<u>(52,371,615.09)</u>
	68,034,348.42

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

	Due Within One Year	Due After One Year
Warrants Payable	\$ (1,970,000.00)	\$ (12,015,000.00)
Note from Direct Borrowing	(154,545.66)	(206,623.43)
Lease Liability	(125,960.23)	(271,452.62)
Unamortized Premium	(209,956.06)	(1,052,173.86)
Compensated Absences	(507,992.05)	(1,098,962.16)
Other Postemployment Benefits Liability		(6,341,038.41)
Net Pension Liability		(18,244,751.93)
<b>Total Long-Term Liabilities</b>	<b>\$ (2,968,454.00)</b>	<b>\$ (39,230,002.41)</b>
		(42,198,456.41)

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

Deferred Outflows Related to Defined Benefit Pension Plan	\$ 6,192,639.04
Deferred Inflows Related to Defined Benefit Pension Plan	<u>(43,575.92)</u>
	6,149,063.12

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

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

Deferred Outflows Related to Other Postemployment Benefits (OPEB)	\$ 2,040,819.35
Deferred Inflows Related to Other Postemployment Benefits (OPEB)	<u>(2,096,074.87)</u>
	(55,255.52)

Interest on long-term debt is not accrued in the governmental funds but rather is recognized as an expenditure when due.

Accrued Interest Payable	<u>(270,281.99)</u>
Total Net Position - Governmental Activities (Exhibit 1)	<u>\$ 71,248,967.04</u>

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

	General Fund	ARPA Revenue Reduction Fund	Coronavirus Rescue Act Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 27,660,555.46	\$	\$	\$ 1,858,899.37	\$ 29,519,454.83
Licenses and Permits	216,445.01			3,105.00	219,550.01
Intergovernmental	5,389,278.22	2,358,712.20	678,550.46	9,691,115.75	18,117,656.63
Charges for Services	7,278,551.97			5,170,886.10	12,449,438.07
Miscellaneous	1,864,995.28	563,417.36	618,888.86	633,463.44	3,680,764.94
Total Revenues	42,409,825.94	2,922,129.56	1,297,439.32	17,357,469.66	63,986,864.48
<b>Expenditures</b>					
Current:					
General Government	10,436,751.81	588,252.65	35,562.06	1,884,634.92	12,945,201.44
Public Safety	18,767,773.74	77,115.35		4,979,449.89	23,824,338.98
Highway and Roads	3,530,189.38			9,559,050.97	13,089,240.35
Sanitation	186,917.44	744,955.41			931,872.85
Health	515,281.75		99,907.13		615,188.88
Welfare	504,297.33		18,527.02		522,824.35
Culture and Recreation	1,390,493.36	50,000.00		396,611.93	1,837,105.29
Education	56,023.25				56,023.25
Capital Outlay	2,930,130.48	777,041.27	544,306.96	2,305,683.74	6,557,162.45
Debt Service:					
Principal Retirement	147,265.88			1,916,558.83	2,063,824.71
Interest and Fiscal Charges	39,105.27			600,595.17	639,700.44
Administrative Charges				3,200.00	3,200.00
Total Expenditures	38,504,229.69	2,237,364.68	698,303.17	21,645,785.45	63,085,682.99
Excess (Deficiency) of Revenues Over Expenditures	3,905,596.25	684,764.88	599,136.15	(4,288,315.79)	901,181.49
<b>Other Financing Sources (Uses)</b>					
Transfers In	633,941.18			4,806,848.52	5,440,789.70
Proceeds from Sale of Capital Assets	38,221.00			56,121.53	94,342.53
Proceeds from Issuance of Lease Liability	475,925.34				475,925.34
Proceeds from Issuance of Notes from Direct Borrowing	355,484.48				355,484.48
Transfers Out	(4,806,848.52)	(145,850.17)		(488,091.01)	(5,440,789.70)
Total Other Financing Sources (Uses)	(3,303,276.52)	(145,850.17)		4,374,879.04	925,752.35
Net Changes in Fund Balances	602,319.73	538,914.71	599,136.15	86,563.25	1,826,933.84
Fund Balances - Beginning of Year	17,928,888.20	359,191.92	397,383.48	19,077,151.98	37,762,615.58
Fund Balances - End of Year	\$ 18,531,207.93	\$ 898,106.63	\$ 996,519.63	\$ 19,163,715.23	\$ 39,589,549.42

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

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

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Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)	\$ 1,826,933.84
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays in the period.	
Capital Outlays	\$ 6,557,162.45
Depreciation Expense	<u>(3,604,126.01)</u>
	2,953,036.44
In the Statement of Activities, gains and losses on the sale of capital assets are reported, whereas in the governmental funds, the proceeds from the sale increase the financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold.	
	(4,682.09)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	2,063,824.71
Proceeds from the issuance of debt are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.	(831,409.82)
Premiums on debt issuance are recorded as financing uses/expenditures in the governmental funds, but are deferred and amortized in the Statement of Activities.	209,956.06
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 Changes in Compensated Absences	\$ (154,852.99)
Net Changes in Interest Payable	29,926.22
Net Changes in Pension Expense	(2,198,408.48)
Net Changes in Other Postemployment Benefits (OPEB) Obligation	<u>244,382.46</u>
	<u>(2,078,952.79)</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 4,138,706.35</u>

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

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

	<b>Enterprise Fund</b>
	<b>Environmental Services Fund</b>
<b><u>Assets</u></b>	
<b><u>Current Assets</u></b>	
Cash and Cash Equivalents	\$ 1,970,222.98
Receivables (Note 4)	441,854.44
Total Current Assets	<u>2,412,077.42</u>
<b><u>Noncurrent Assets</u></b>	
Capital Assets (Note 5)	3,484,460.73
Depreciable, Net	<u>3,484,460.73</u>
Total Noncurrent Assets	<u>5,896,538.15</u>
<b><u>Deferred Outflows of Resources</u></b>	
Employer Pension Contributions	59,467.29
Deferred Outflows Related to Net Pension Liability	236,611.76
Deferred Outflows Related to OPEB Liability	73,401.65
Total Deferred Outflows of Resources	<u>369,480.70</u>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Payables (Note 8)	79,793.72
Accrued Wages Payable	18,365.19
Estimated Liability for Compensated Absences	14,163.97
Estimated Claims Costs Payable	14,455.16
Total Current Liabilities	<u>126,778.04</u>
<b><u>Noncurrent Liabilities</u></b>	
Estimated Liability for Compensated Absences	41,998.44
Net Pension Liability	759,089.08
Other Postemployment Benefits (OPEB) Liability	307,751.60
Total Noncurrent Liabilities	<u>1,108,839.12</u>
Total Liabilities	<u>\$ 1,235,617.16</u>

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

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	<b>Enterprise Fund</b> <b>Environmental</b> <b>Services Fund</b>
<b><u>Deferred Inflows of Resources</u></b>	
Deferred Inflows Related to OPEB Liability	\$ 95,276.13
Total Deferred Inflows of Resources	<u>95,276.13</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	3,484,460.73
Unrestricted	<u>1,450,664.83</u>
Total Net Position	<u>\$ 4,935,125.56</u>

***Statement of Revenues, Expenses and Changes in Fund Net Position***  
***Proprietary Fund***  
***For the Year Ended September 30, 2024***

	<b>Enterprise Fund</b>
	<b>Environmental</b>
	<b>Services Fund</b>
<b><u>Operating Revenues</u></b>	
Charges for Services	\$ 4,015,106.15
Total Operating Revenues	<u>4,015,106.15</u>
<b><u>Operating Expenses</u></b>	
Salaries and Benefits	1,252,397.25
Contractual and Professional Services	441,717.60
Materials and Supplies	411,254.98
Repairs and Maintenance	242,322.25
Rentals	4,366.64
Utilities	32,796.14
Insurance	42,479.42
Depreciation	807,136.85
Landfill Expenses	736,468.36
Miscellaneous	17,733.88
Total Operating Expenses	<u>3,988,673.37</u>
Operating Income (Loss)	<u>26,432.78</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Interest Revenue	71,985.89
Sale of Scrap Equipment	11,788.50
Insurance Recovery	149,024.84
Total Nonoperating Revenues (Expenses)	<u>232,799.23</u>
Change in Net Position	259,232.01
Net Position - Beginning of Year	<u>4,675,893.55</u>
Net Position - End of Year	<u>\$ 4,935,125.56</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, 2024**

	Enterprise Fund	Environmental Services Fund
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from Customers	\$ 3,877,262.08	
Payments to Suppliers	(2,101,299.63)	
Payments to Employees	(1,143,999.73)	
Net Cash Provided/(Used) by Operating Activities	<u>631,962.72</u>	
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Acquisition of Capital Assets	(679,063.51)	
Sale of Scrap Equipment	11,788.50	
Insurance Recovery	149,024.84	
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(518,250.17)</u>	
<b><u>Cash Flows from Investing Activities</u></b>		
Interest and Dividends	<u>71,985.89</u>	
Net Cash Provided/(Used) by Investing Activities	<u>71,985.89</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	185,698.44	
Cash and Cash Equivalents - Beginning of Year	<u>1,784,524.54</u>	
Cash and Cash Equivalents - End of Year	<u>1,970,222.98</u>	
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities:</u></b>		
Operating Income (Loss)	26,432.78	
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u></b>		
Depreciation Expense	807,136.85	
Change in Assets and Liabilities:		
Payables	(147,172.94)	
Estimated Liability for Compensated Absences	(11,948.35)	
Customer Receivables	(137,844.07)	
Accrued Wages Payable	2,854.15	
Estimated Claims Costs Liability	7,193.50	
Net Pension Liability	90,420.34	
Net Other Postemployment Benefit Obligations	<u>(5,109.54)</u>	
Net Cash Provided by Operating Activities	<u>\$ 631,962.72</u>	

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

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

	<b>Private-Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets</b>		
Cash	\$ 1,200,096.42	\$ 3,425,193.27
Receivables (Note 4)		2,553,618.82
Total Assets	<hr/> 1,200,096.42	<hr/> 5,978,812.09
<b>Liabilities</b>		
Payables (Note 8)		5,713,600.63
Total Liabilities	<hr/> 5,713,600.63	
<b>Net Position</b>		
Restricted for:		
Individuals, Organizations, and Other Governments	1,200,096.42	265,211.46
Total Net Position	<hr/> \$ 1,200,096.42	<hr/> \$ 265,211.46

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

***Statement of Changes in Fiduciary Net Position***  
***For the Year Ended September 30, 2024***

	<b>Private-Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Additions</b>		
Contributions from:		
Ad Valorem Tax Collections for Other Governments	\$ 66,097,570.95	
Sales Tax Collections for Other Governments	29,609,271.38	
TVA Tax Collections for Other Governments	11,544,976.75	
Charges for Services	1,190,959.98	
Local Fees	60,798.46	
Miscellaneous Revenue	26,741.15	
Inmate Commissary Deposits	3,423,112.22	
Gifts and Trust Additions	606,359.31	
Interest Revenue	719.89	
Total Additions	<u>606,359.31</u>	<u>111,954,150.78</u>
<b>Deductions</b>		
Payments of Ad Valorem Tax to Other Governments	67,288,530.93	
Payments of Sales Tax to Other Governments	29,609,271.38	
Payments of TVA Tax to Other Governments	11,544,976.75	
Inmate Commissary Disbursements	3,423,112.22	
Beneficiary Payments to Individuals	1,229,269.25	
Administrative Expenses	59,437.54	
Total Deductions	<u>1,229,269.25</u>	<u>111,925,328.82</u>
Change in Net Position	(622,909.94)	28,821.96
Net Position - Beginning of Year	<u>1,823,006.36</u>	<u>236,389.50</u>
Net Position - End of Year	<u>\$ 1,200,096.42</u>	<u>\$ 265,211.46</u>

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

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

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

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

The financial statements of the Morgan 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 Morgan County Commission is a general purpose local government governed by separately elected commissioners. Generally Accepted Accounting Principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of the above 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 are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and 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. The fund is also used to report expenditures for building and maintaining public buildings, roads, and bridges. Also accounted for in the General Fund is employee health insurance to self-insure the Commission against liability claims.
- ◆ **ARPA Revenue Reduction Fund** – This fund is used to account for the expenditures related to the irrevocable election of up to \$10 million in revenue replacement from the American Rescue Plan Act of 2021.
- ◆ **Coronavirus Rescue Act Fund** – This fund is used to account for the funds appropriated and expenditures of the American Rescue Plan Act of 2021, State and Local Fiscal Recovery Funds.

The Commission reports the following major enterprise fund:

- ◆ **Environmental Services Fund** – This fund is used to account for the cost of providing solid waste service to county residents.

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

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

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

#### **Governmental Fund Types**

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

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

- ◆ **Private-Purpose Trust Funds** – These funds are used to account for all fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and are held in a trust that meets the criteria in GASB 84.
- ◆ **Custodial Funds** – These funds are used to account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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, including 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.

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## *Notes to the Financial Statements*

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

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As a general rule, the effect of interfund 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.

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 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 positions available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

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

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

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the Statement of Cash Flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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## *Notes to the Financial Statements*

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

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

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost, and certificates of deposit, which are reported at cost. The Commission reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost.

#### **2. Receivables**

Sales tax receivables are based on the amounts collected within 60 days after year-end. Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

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

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

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

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

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

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## *Notes to the Financial Statements*

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

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

Certain general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable debt covenants. The debt service funds are used to segregate resources accumulated for debt service payments.

#### **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. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term plus any upfront payments and ancillary charges paid to place the leased asset in service. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. 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 a straight-line basis over the assets' estimated useful life. Intangible right-to-use lease assets are amortized over the shorter of the lease term or the asset's estimated useful life, unless the lease contains a purchase option the Commission is reasonably certain will be exercised. In those instances, the right-to-use leased asset is amortized over the asset's 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 funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 5,000	20 – 40 Years
Equipment and Furniture	\$ 5,000	5 – 20 Years
Roads	\$250,000	20 – 40 Years
Bridges	\$ 50,000	20 – 40 Years
Right to Use Leased Equipment	\$ 5,000	5 – 20 Years

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

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

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Roads and bridges make up a majority of infrastructure assets under governmental activities. 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 cost of bridges in the county will be depreciated.

#### **6. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the government-wide financial statements and proprietary fund 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.

#### **7. Right-to-Use Assets and Lease Liability**

The Commission has recorded right-to-use lease assets and liabilities as a result of implementing GASB Statement Number 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

In accordance with GASB Statement Number 87, payments on leases with a term of 12 months or less or leases with a present value of less than \$5,000 (for equipment leases) and less than \$50,000 (for property leases) are expensed as incurred. These leases are not included in assets or liabilities on the statement of net position.

An intangible right-to-use asset represents the Commission's right to use an underlying asset for the lease or subscription term. Lease and/or subscription obligations represent the Commission's liability to make lease and/or subscription payments arising from the lease and/or subscription agreement. Intangible right-to-use assets, lease obligations, and subscription obligations are recognized based on the present value of lease payments over the lease term, where the initial term exceeds 12 months. Residual value guarantees and the value of an option to extend or terminate a lease and/or subscription are reflected to the extent it is reasonably certain to be paid or exercised. Variable payments based on future performance or usage are not included in the measurement of the lease and/or subscription liability. Intangible right-to-use assets are amortized using a straightline basis over the shorter of the lease term or useful life of the underlying asset. Prepayments made before the commencement of the lease and/or subscription are reported as intangible right-to-use assets in progress.

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

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

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#### **8. 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. Bond/Warrant premiums and discounts are deferred and amortized over the life of the bonds/warrants. Bonds/Warrants payable are reported gross with the applicable bond/warrant premium or discount reported separately. Bond/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.

#### **9. Compensated Absences**

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

##### **Annual Leave**

For the first through the fourth year, each employee is credited 13 days of annual leave. The fifth to ninth years, an employee earns 16.25 days of annual leave per year. The tenth through fourteenth years, an employee earns 19.50 days per year. The fifteenth through the nineteenth years, an employee earns 22.75 days of annual leave per year. Upon completion of the nineteenth year, an employee is credited with 26 days per year and each year thereafter. Unused annual leave credits may be accumulated and carried over into successive calendar years up to a maximum aggregate of 320 hours. Upon separation or retirement, employees are paid for all accrued annual leave.

##### **Sick Leave**

Sick leave benefits with pay are provided for permanent full-time employees in the amount of 9 workdays per fiscal year. Sick leave benefits are accrued by all non-probationary permanent full-time employees at a rate of 2.77 hours per pay period and credited each pay period. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees. There is no limit on the number of hours an employee may accrue. All unused sick leave is forfeited upon separation and is not compensated to the employee.

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

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

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#### **Compensatory Leave**

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act and is provided to permanent full-time employees to compensate for periods of work outside of normal working hours for which the employee has not received compensation. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Unused compensatory leave can be carried over 120 days, at the end of which, if not used, is paid out at the overtime rate.

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 county policy, officers can make an election at the end of each pay period with regard to overtime earned during that pay period. Any overtime to be received as salary is to be paid the following pay period and any overtime to be taken as compensatory leave must be taken as soon as possible after the time is earned. Under this provision, deputies may accrue compensatory leave, but it must not exceed amounts allowed by law. Unused compensatory leave is paid upon termination.

#### **10. 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.

#### **11. 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.

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

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

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- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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

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

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

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

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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 the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

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

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

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

##### **Budgets**

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

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

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

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

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

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

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

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

##### **B. Investments**

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

The Commission has a formal policy on investments that was approved on August 16, 2022.

As of September 30, 2024, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity in Years	
		Less than 1	1-3
Goldman Sachs Financial Square money market fund valued at amortized cost	\$ 4,603,999.17	\$ 4,603,999.17	\$
U. S. Treasuries	13,672,190.55	11,749,610.55	1,922,580.00
<b>Total</b>	<b>\$18,276,189.72</b>	<b>\$16,353,609.72</b>	<b>\$1,922,580.00</b>

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

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

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#### **Fair Value Measurement**

The Commission categorizes its fair value measurements within the fair value hierarchy established by the Governmental Accounting Standards Board 72 standard. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Commission has the following fair value measurements as of September 30, 2024:

- ◆ Goldman Sachs Financial Square, U. S. Treasuries, and U. S. Credit investments of \$18,276,189.72 for Governmental Funds are valued based on an independent vendor service (Level 1 inputs).

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. The formal policy states that the County will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

#### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. The Commission's investment policy specifies that investments can be in certificates of deposits and obligations of the Department of the Treasury of the United States of America, i.e., Treasury bills or Treasury notes. As of September 30, 2024, the Commission's investments were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service, Inc.

#### **Custodial Credit Risk**

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy does not limit the amount of securities that can be held by counterparties.

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## *Notes to the Financial Statements*

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

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#### **Concentrations of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission's investment policy does not address concentrations of credit risk.

#### **Note 4 – Receivables**

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

Governmental Funds	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Receivables:</b>			
Intergovernmental	\$1,406,653.16	\$1,553,909.75	\$2,960,562.91
Other Receivables	621,804.12		621,804.12
Total Receivables	\$2,028,457.28	\$1,553,909.75	\$3,582,367.03

Proprietary Fund	Environmental Services Fund
<b>Receivables:</b>	
Accounts Receivables	\$304,279.44
Other Receivables	137,575.00
Total Receivables	\$441,854.44

Fiduciary Funds	Custodial Funds
<b>Receivables:</b>	
Intergovernmental	\$2,553,618.82
Total Receivables	\$2,553,618.82

## **Notes to the Financial Statements**

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

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

Unexpended Grant Funds	\$ 5,796.29
Unexpended ARPA Revenue Reduction Funds	7,468,253.32
Unexpended Coronavirus Rescue Act Funds	9,422,603.63
Unexpended Reappraisal Funds	259,767.58
<b>Total Unearned Revenue</b>	<b>\$17,156,420.82</b>

### **Note 5 – Capital Assets**

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

	Balance 10/01/2023	Additions/ Reclassification (*)	Deletions/ Reclassification (*)	Balance 09/30/2024
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 3,339,195.77	\$	\$	\$ 3,339,195.77
Construction in Progress	3,293,152.80	2,814,370.08	(3,085,875.67)	3,021,647.21
<b>Total Capital Assets, Not Being Depreciated</b>	<b>6,632,348.57</b>	<b>2,814,370.08</b>	<b>(3,085,875.67)</b>	<b>6,360,842.98</b>
<b>Capital Assets Being Depreciated:</b>				
Infrastructure	32,877,361.56	244,391.05		33,121,752.61
Buildings	52,005,218.70	3,004,067.67	(6,050.00)	55,003,236.37
Improvements Other Than Buildings	4,066,284.54	92,768.47		4,159,053.01
Equipment and Furniture	19,463,541.15	3,011,515.51	(1,189,903.46)	21,285,153.20
Right to Use Asset – Leased Vehicles	475,925.34			475,925.34
<b>Total Capital Assets Being Depreciated</b>	<b>108,412,405.95</b>	<b>6,828,668.04</b>	<b>(1,195,953.46)</b>	<b>114,045,120.53</b>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	(10,926,982.24)	(743,145.47)		(11,670,127.71)
Buildings	(22,075,714.09)	(1,193,755.91)	6,050.00	(23,263,420.00)
Improvements Other Than Buildings	(2,359,913.23)	(133,898.52)		(2,493,811.75)
Equipment and Furniture	(14,596,150.89)	(1,482,121.94)	1,185,221.37	(14,893,051.46)
Right to Use Asset-Leased Vehicles	(51,204.17)			(51,204.17)
<b>Total Accumulated Depreciation</b>	<b>(49,958,760.45)</b>	<b>(3,604,126.01)</b>	<b>1,191,271.37</b>	<b>(52,371,615.09)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>58,453,645.50</b>	<b>3,224,542.03</b>	<b>(4,682.09)</b>	<b>61,673,505.44</b>
<b>Total Governmental Activities</b>	<b>\$ 65,085,994.07</b>	<b>\$ 6,038,912.11</b>	<b>\$ (3,090,557.76)</b>	<b>\$ 68,034,348.42</b>

(\*) Amounts totaling \$3,085,875.67 were reclassified from Construction in Progress to Buildings (\$3,004,067.67) and Improvements Other Than Buildings (\$81,808.00).

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

	Balance 10/01/2023	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2024
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 16,228.23	\$ 5,480.54	\$(21,708.77)	\$
Total Capital Assets, Not Being Depreciated	16,228.23	5,480.54	(21,708.77)	
Capital Assets Being Depreciated:				
Buildings	1,799,395.86	15,495.00		1,814,890.86
Improvements Other Than Buildings	181,353.00	21,708.77		203,061.77
Equipment and Furniture	5,687,239.25	658,087.97		6,345,327.22
Total Capital Assets Being Depreciated	7,667,988.11	695,291.74		8,363,279.85
Less Accumulated Depreciation for:				
Buildings	(532,428.27)	(49,610.74)		(582,039.01)
Improvements Other Than Buildings	(13,242.71)	(9,339.01)		(22,581.72)
Equipment and Furniture	(3,526,011.29)	(748,187.10)		(4,274,198.39)
Total Accumulated Depreciation	(4,071,682.27)	(807,136.85)		(4,878,819.12)
Total Capital Assets Being Depreciated, Net	3,596,305.84	(111,845.11)		3,484,460.73
Total Business-Type Activities				
Capital Assets, Net	\$ 3,612,534.07	\$(106,364.57)	\$(21,708.77)	\$ 3,484,460.73

(\*) Amounts totaling \$21,708.77 were reclassified from Construction in Progress to Improvements Other Than Buildings.

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$ 402,832.53
Public Safety	1,239,130.23
Highways and Roads	1,500,617.07
Sanitation	16,721.40
Health	42,504.78
Welfare	164,792.22
Culture and Recreations	237,527.78
Total Depreciation Expense – Governmental Activities	<u>\$3,604,126.01</u>
<b>Business-Type Activities:</b>	
Environmental Services	\$807,136.85
Total Depreciation Expense – Business-Type Activities	<u>\$807,136.85</u>

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

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

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

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

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

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

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

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

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## *Notes to the Financial Statements*

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

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#### **Benefits Provided**

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and are 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 30<sup>th</sup> are paid directly to the beneficiary.

Act Number 2019-132, Acts of Alabama, allowed employers who participate in the ERS pursuant to the ***Code of Alabama 1975***, Section 36-27-6, to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act Number 2019-132, Acts of Alabama, will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 618 employers adopted Act Number 2019-132, Acts of Alabama as of September 30, 2023.

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## *Notes to the Financial Statements*

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

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

Retirees and beneficiaries currently receiving benefits	31,481
Terminated employees entitled to but not yet receiving benefits	2,350
Terminated employees not entitled to a benefit	20,556
Active Members	58,659
Post-DROP participants who are still active service	33
<b>Total</b>	<b>113,079</b>

#### **Contributions**

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

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

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

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

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These 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, 2024, the Commission's active employee contribution rate was 6.62% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 7.89% of pensionable payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2024, was 8.85% of pensionable pay for Tier 1 employees, and 7.13% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2021, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$1,436,456.17 for the year ended September 30, 2024.

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

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

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

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

	Total Pension Liability Roll-Forward		
	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2022	\$56,711,061	\$59,406,180	\$59,406,180
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2022, through September 30, 2023	1,697,745	1,697,745	1,697,745
(d) Transfers Among Employers	463,640	463,640	463,640
(e) Actual Benefit Payments and Refunds for the period October 1, 2022, through September 30, 2023	(3,561,549)	(3,561,549)	(3,561,549)
(f) Total Pension Liability as of September 30, 2023 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$58,939,563</u>	<u>\$62,299,108</u>	<u>\$62,299,108</u>
(g) Difference between Expected and Actual		\$ 3,359,545	
(h) Less Liability Transferred for Immediate Recognition		<u>463,640</u>	
(i) Difference between Expected and Actual – Experience (Gain)/Loss		<u>\$ 2,895,905</u>	
(j) Difference between Actual TPL Before and After Plan Changes – Benefit Change (Gain)/Loss		<u>\$</u>	

#### **Actuarial Assumptions**

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

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

## **Notes to the Financial Statements**

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

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

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

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

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

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

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

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

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### **Discount Rate**

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

### **C. Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2022	\$56,711,061	\$38,940,030	\$17,771,031
<b>Changes for the Year:</b>			
Service Cost	1,697,745		1,697,745
Interest	4,092,306		4,092,306
Differences Between Expected and Actual Experience	2,895,905		2,895,905
Contributions – Employer		1,246,373	(1,246,373)
Contributions – Employee		1,194,087	(1,194,087)
Net Investment Income		5,012,686	(5,012,686)
Benefit Payments, including Refunds of Employee Contributions	(3,561,549)	(3,561,549)	
Transfers among Employers	463,640	463,640	
Net Changes	<u>5,588,047</u>	<u>4,355,237</u>	<u>1,232,810</u>
Balances at September 30, 2023	<u><u>\$62,299,108</u></u>	<u><u>\$43,295,267</u></u>	<u><u>\$19,003,841</u></u>

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

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

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#### **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	\$26,334,595	\$19,003,841	\$12,853,709

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2023. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

For the year ended September 30, 2024, the Commission recognized pension expense of \$3,658,550. At September 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,549,806.92	\$43,575.92
Changes in assumptions	776,825.00	
Net difference between projected and actual earnings on pension plan investments	1,725,630.00	
Employer contributions subsequent to the measurement date	1,436,456.17	
<b>Total</b>	<b>\$6,488,718.09</b>	<b>\$43,575.92</b>

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## **Notes to the Financial Statements**

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

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

Year Ending:	
September 30, 2025	\$1,654,781
2026	\$1,386,597
2027	\$2,072,767
2028	\$ (105,459)
2029	\$ 0
Thereafter	\$ 0

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

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

##### **Plan Description**

The Commission provides certain continuing health care and life insurance benefits for its retired employees. The Commission’s OPEB Plan (the “OPEB Plan”) is a single employer defined benefit OPEB Plan administered by the Commission. The authority to establish and/or amend the obligation of the employer, employees and retirees’ rests with the Commission. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52, ***Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit***.

##### **Benefits Provided**

Medical benefits are provided through the Commission’s health benefit plan and are made available to employees upon actual retirement. The employees must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called “Tier 1” members). Employees hired on and after January 1, 2013 (called “Tier 2” members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service. A limited benefit is available to those retiring under the disability provisions not otherwise qualified for the plan benefits.

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

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	23
Active employees	325
Total	348

#### **Total OPEB Liability**

The Commission's total OPEB liability of \$6,648,790 was measured as of September 30, 2024, and was determined by an actuarial valuation.

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

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

Inflation	2.50%
Salary Increases	3.25% - 6.00% annually
Discount Rate	3.81%
Healthcare Cost Trend Rates	5.00%

The discount rate was based on the average of the Bond Buyers' 20-Year General Obligation municipal bond index as of September 30, 2023, the end of the applicable measurement period.

Mortality rates were based on PubG.H 2010 (B) for employees projected with 2/3 of the MP-2021 projection scale.

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

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

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

Balance at September 30, 2023	\$5,034,022
Changes for the year:	
Service Cost	255,465
Interest Cost	242,267
Differences between expected and actual experience	(151,215)
Changes in assumptions	1,694,234
Benefit Payments	(425,983)
Net change in total OPEB liability	<u>1,614,768</u>
Balance at September 30, 2024	<u>\$6,648,790</u>

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

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.81%) or 1-percentage point higher (4.81%) than the current discount rate:

	1.0% Decrease (2.81%)	Current Discount (3.81%)	1.0% Increase (4.81%)
Total OPEB Liability	\$7,118,791	\$6,648,790	\$6,210,851

#### **Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%) than the current healthcare trend rates:

	1.0% Decrease (4.00%)	Current Trend (5.00% initial)	1.0% Increase (6.00%)
Total OPEB Liability	\$6,018,546	\$6,648,790	\$7,398,314

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## *Notes to the Financial Statements*

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

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

For the year ended September 30, 2024, the Commission recognized OPEB expense of \$213,137 prior to recording the actual OPEB benefit amounts. At September 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,609,847	
Changes in assumptions	1,688,238	581,504
Net difference between projected and actual investments	425,983	
<b>Total</b>	<b>\$2,114,221</b>	<b>\$2,191,351</b>

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

Year Ending	
September 30, 2025	\$(407,011)
2026	\$(576,060)
2027	\$(291,553)
2028	\$ 192,877
2029	\$ 192,877
Thereafter	\$ 385,757

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

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### **Note 8 – Payables**

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

	Accounts Payable	Retainage Payable	Due to Other Governments	Withholdings and Benefits	Total
<b>Governmental Funds:</b>					
General Fund	\$2,518,562.81	\$	\$ 424,689.97	\$1,582,888.24	\$4,526,141.02
ARPA Revenue Reduction Fund	870,366.88				870,366.88
Coronavirus Rescue Act Fund	57,097.39				57,097.39
Other Governmental Funds	3,537,660.07	32,530.00	34,964.67		3,605,154.74
Total Governmental Funds	6,983,687.15	32,530.00	459,654.64	1,582,888.24	9,058,760.03
<b>Business-Type Activities:</b>					
Environmental Services Fund	79,793.72				79,793.72
Total Business-Type Activities	79,793.72				79,793.72
<b>Fiduciary Funds:</b>					
Custodial	45,687.09		5,667,913.54		5,713,600.63
Total Fiduciary Funds	\$ 45,687.09	\$	\$5,667,913.54	\$	\$5,713,600.63

### **Note 9 – Long-Term Debt**

In March 2013, General Obligation Warrants were issued with variable interest rates of 0.6 percent to 2.6 percent to refund on a current basis the Outstanding Series 2004 General Obligation Warrants.

In 2015, General Obligation Warrants were issued with variable interest rates of 2.25 percent to 4 percent to fund a public safety project.

In October 2019, General Obligation Warrants were issued with variable interest rates of 3 percent to 4 percent to refund the 2014 General Obligation Warrants.

In August 2020, General Obligation Warrants were issued with variable interest rates of 2 percent to 5 percent to refund portions of 2013A and 2013B.

In 2023, a 5.76 percent interest loan was made to purchase eight 2023 Ford Utility SUVs.

In 2024, a Master Services Agreement and related Lease Agreement for each vehicle were entered into on behalf of the Sheriff's Office for 8 administrative vehicles.

## **Notes to the Financial Statements**

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

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

	Debt Outstanding 10/01/2023	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2024	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Warrants Payable:					
General Obligation Warrants, Series 2013B	\$ 415,000.00	\$	\$ (415,000.00)	\$	\$
General Obligation Warrants, Series 2015	3,060,000.00			3,060,000.00	115,000.00
General Obligation Warrants, Series 2019	3,865,000.00		(440,000.00)	3,425,000.00	455,000.00
General Obligation Warrants, Series 2020	8,520,000.00		(1,020,000.00)	7,500,000.00	1,400,000.00
Total Warrants Payable	<u>15,860,000.00</u>		<u>(1,875,000.00)</u>	<u>13,985,000.00</u>	<u>1,970,000.00</u>
Notes from Direct Borrowing	115,996.83	355,484.48	(110,312.22)	361,169.09	154,545.66
Lease Liability		475,925.34	(78,512.49)	397,412.85	125,960.23
Unamortized Premium	1,472,085.98		(209,956.06)	1,262,129.92	209,956.06
Net Pension Liability	17,061,254.33	1,183,497.60		18,244,751.93	
Estimated Liability for Compensated Absences	1,452,101.22	154,852.99		1,606,954.21	507,992.05
Other Postemployment Benefits Liability	4,796,477.71	1,544,560.70		6,341,038.41	
Total Governmental Activities					
Long-Term Liabilities	<u>40,757,916.07</u>	<u>3,714,321.11</u>	<u>(2,273,780.77)</u>	<u>42,198,456.41</u>	<u>2,968,454.00</u>
<b>Business-Type Activities:</b>					
Net Pension Liability	709,776.68	49,312.40		759,089.08	
Estimated Liability for Compensated Absences	68,110.76		(11,648.35)	56,162.41	14,163.97
Other Postemployment Benefits Liability	237,544.30	70,207.30		307,751.60	
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 1,015,431.74</u>	<u>\$ 119,519.70</u>	<u>\$ (11,648.35)</u>	<u>\$ 1,123,003.09</u>	<u>\$ 14,163.97</u>

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the General Fund, Gasoline Tax Fund, capital projects funds, and debt service funds.

The Notes from Direct Borrowing for governmental activities will be liquidated by the General Fund.

The Lease liability for governmental activities will be liquidated by the Sheriff's Office's discretionary funds.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. The majority of the liability will be liquidated through the Commission's General Fund and Gasoline Tax Fund. The remainder will be liquidated by other governmental funds.

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## *Notes to the Financial Statements*

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

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

Fiscal Year Ending	Series 2015 General Obligation Warrants		Series 2019 General Obligation Warrants		Series 2020 General Obligation Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2025	\$ 115,000.00	\$109,302.50	\$ 455,000.00	\$151,400.00	\$1,400,000.00	\$277,550.00
2026	120,000.00	106,715.00	480,000.00	128,650.00	1,435,000.00	244,550.00
2027	115,000.00	104,015.00	505,000.00	104,650.00	1,500,000.00	187,150.00
2028	115,000.00	101,140.00	530,000.00	79,400.00	1,555,000.00	127,150.00
2029	410,000.00	98,265.00	265,000.00	58,200.00	1,610,000.00	80,500.00
2030-2033	2,185,000.00	87,400.00	1,190,000.00	121,400.00		
Totals	<u>\$3,060,000.00</u>	<u>\$606,837.50</u>	<u>\$3,425,000.00</u>	<u>\$643,700.00</u>	<u>\$7,500,000.00</u>	<u>\$916,900.00</u>

#### **Premium on Debt Issuance**

The Commission has a premium in connection with the issuance of its 2015 General Obligation Warrants, 2019 General Obligation Warrants, and 2020 General Obligation Warrants. The premium is being amortized using the straight-line method. The premium for the 2015 Warrants will be amortized over the life of the issue, which will be through 2030. The premium for the 2019 Warrants will be amortized over the life of the issue, which will be through 2033. The premium for the 2019 Warrants will be amortized over the life of the issue, which will be through 2029.

Premium	
Premium on Debt Issuance	\$2,365,454.35
Amount Amortized in Prior Years	(893,368.37)
Balance	1,472,085.98
Current Amount Amortized	(209,956.06)
Balance of Premium	<u>\$1,262,129.92</u>

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

Notes From Direct Borrowing		Lease Liability		Total Principal and Interest Requirements
Principal	Interest	Principal	Interest	
\$154,545.66	\$16,986.66	\$125,960.23	\$24,608.17	\$ 2,830,353.22
163,816.65	7,715.67	87,151.80	17,770.28	2,791,369.40
42,806.78	417.83	88,219.48	10,545.47	2,657,804.56
		87,791.42	3,872.68	2,599,354.10
		8,289.92	52.89	2,530,307.81
				3,583,800.00
<b>\$361,169.09</b>	<b>\$25,120.16</b>	<b>\$397,412.85</b>	<b>\$56,849.49</b>	<b>\$16,992,989.09</b>

**Lessee Agreements**

The Commission leases motor vehicles from external parties for various terms under long-term, noncancelable lease agreements. The lease expires at various dates through 2029 and some provide for renewal options ranging from three to five years. In accordance with GASB Statement Number 87, the Commission records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using an estimated incremental borrowing rate. The Commission does not have any leases featuring payments tied to an index or market rate. The Commission also does not have any leases subject to a residual value guarantee. See Note 5 - Capital and Leased Assets for information on leased assets and associated accumulated amortization. Future commitments for leases having remaining terms in excess of one year as of September 30, 2024, were as follows:

Fiscal Year Ending	Lease Obligations Payable	Interest
<b>Governmental Activities:</b>		
September 30, 2025	\$125,960.23	\$24,608.17
2026	87,151.80	17,770.28
2027	88,219.48	10,545.47
2028	87,791.42	3,872.68
2029	8,289.92	52.88
<b>Total Remaining Lease Commitments</b>	<b>\$397,412.85</b>	<b>\$56,849.48</b>

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

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

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Lease commitments consist of:

Description	Governmental Activities Lease Obligations Payable
Agreements between the Commission and a third-party vendor for vehicle rentals, payable in monthly installments ranging from \$967.06 to \$1,351.78, with fixed and implicit interest rates ranging from .55067% to .58125%. The agreements expire in various fiscal years from 2024 to 2029.	\$397,412.85
Present Value of Minimum Lease Commitments	\$397,412.85

#### **Note 10 – Risk Management**

The Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Commission has general liability insurance through a commercial carrier. The Commission pays an annual premium based on the Commission's individual claims experience. Coverage is provided up to \$1,000,000.00 per claim for a maximum total coverage of \$2,000,000.00.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self-Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings. 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 is self-insured with regard to employee health insurance. The Commission purchases insurance for claims in excess of the aggregate stop loss basis. The aggregate stop loss basis is determined annually based on the Commission's claim experience. An estimate of the claims liability is reported in the governmental funds and the proprietary fund. The entire long-term liability is included in the government-wide financial statements. These liabilities are based on estimates utilizing past experience.

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## *Notes to the Financial Statements*

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

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The schedule below presents the changes in claims liabilities for the past three years for the self-insured activity of employee health insurance.

Fiscal Years	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2021-2022	\$172,699.59	\$4,699,031.55	\$4,792,203.89	\$ 79,527.25
2022-2023	\$ 79,527.25	\$3,353,674.13	\$3,308,261.23	\$124,940.15
2023-2024	\$124,940.15	\$3,354,402.45	\$3,230,499.94	\$248,842.66

#### **Note 11 – Interfund Transactions**

##### **Interfund Receivables/Payables**

Interfund receivables/payables at September 30, 2024, were as follows:

Interfund Receivables	
General Fund	
<b>Interfund Payables:</b>	
ARPA Revenue Reduction Fund	\$250,000.00
Coronavirus Rescue Act Fund	250,000.00
Other Governmental Funds	305,642.50
<b>Totals</b>	<b>\$805,642.50</b>

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

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

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#### **Interfund Transfers**

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

	Operating Transfers Out				Totals
	General Fund	ARPA Revenue Reduction Fund	Other Governmental Funds		
<b>Operating Transfers In:</b>					
General Fund	\$	\$145,850.17	\$488,091.01	\$ 633,941.18	
Other Governmental Funds		4,806,848.52			4,806,848.52
Totals		<u>\$4,806,848.52</u>	<u>\$145,850.17</u>	<u>\$488,091.01</u>	<u>\$5,440,789.70</u>

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

#### **Note 12 – Related Organizations**

A majority of the members of the boards of the agencies listed below are appointed by the Morgan County Commission. The Commission, however, is not financially accountable, because it does not impose its will nor does it have a financial benefit or burden relationship with the agencies. Additionally, the agencies are not considered part of the Commission's financial reporting entity. The agencies presented below are considered related organizations of the County Commission.

Related Organizations
Northeast Morgan County Water and Fire Protection Authority
West Morgan East Lawrence Water and Sewer Authority
State Products Mart Authority
North Central AL Mental Health Center
Regional Housing Authority
Resource Conservation & Development Council (RC&D)
Community Action Partnership of North Alabama

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

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**Note 13 – Subsequent Event**

In October 2024, the Morgan County Commission entered into agreement with Carmon Construction, Inc. of Albertville, Alabama, to renovate the courthouse. The contract amount was \$10,888,144 and is expected to be completed in fiscal year 2026.

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*Required Supplementary Information*

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>										
Service cost	\$ 1,697,745	\$ 1,388,968	\$ 1,257,534	\$ 1,095,280	\$ 1,110,493	\$ 1,072,638	\$ 1,140,274	\$ 1,173,409	\$ 1,122,621	\$ 1,131,991
Interest	4,092,306	3,929,016	3,759,953	3,587,725	3,489,304	3,441,311	3,433,763	3,241,187	3,153,595	3,019,588
Change of benefit terms		37,261		593,056						
Changes of assumptions			2,071,532			242,945			1,238,085	
Differences between expected and actual experience	2,895,905	261,749	221,642	189,987	(19,479)	(610,127)	(1,087,330)	619,910	(664,767)	
Benefit payments, including refunds of employee contributions	(3,561,549)	(3,493,852)	(3,237,784)	(3,307,617)	(3,158,567)	(3,073,895)	(2,624,088)	(2,475,448)	(2,557,656)	(2,395,328)
Transfers among employers	463,640	102,525	(36,939)	43,391	(69,039)	(118,908)	(540,328)	68,968		
Net change in total pension liability	5,588,047	2,225,667	4,035,938	2,201,822	1,352,712	953,964	322,291	3,866,111	1,053,793	1,756,251
Total pension liability - beginning	56,711,061	54,485,394	50,449,456	48,247,634	46,894,922	45,940,958	45,618,667	41,752,556	40,698,763	38,942,512
Total pension liability - ending (a)	\$ 62,299,108	\$ 56,711,061	\$ 54,485,394	\$ 50,449,456	\$ 48,247,634	\$ 46,894,922	\$ 45,940,958	\$ 45,618,667	\$ 41,752,556	\$ 40,698,763
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 1,246,373	\$ 1,363,265	\$ 1,030,279	\$ 982,362	\$ 1,008,132	\$ 910,280	\$ 912,901	\$ 1,048,049	\$ 1,063,921	\$ 1,021,795
Contributions - employee	1,194,087	1,165,104	945,981	808,736	828,169	814,217	744,299	737,643	725,290	692,420
Net investment income	5,012,686	(5,773,576)	8,399,840	2,119,552	964,467	3,302,734	4,219,598	3,144,335	370,100	3,435,573
Benefit payments, including refunds of employee contributions	(3,561,549)	(3,493,852)	(3,237,784)	(3,307,617)	(3,158,567)	(3,073,895)	(2,624,088)	(2,475,448)	(2,557,656)	(2,395,328)
Other (Transfers among employers)	463,640	102,525	(36,939)	43,391	(69,039)	(118,908)	(540,328)	68,968	7,128	(303,456)
Net change in plan fiduciary net position	4,355,237	(6,636,534)	7,101,377	646,424	(426,838)	1,834,428	2,712,382	2,523,547	(391,217)	2,451,004
Plan fiduciary net position - beginning	38,940,030	45,576,564	38,475,187	37,828,763	38,255,601	36,421,173	33,708,791	31,185,244	31,576,461	29,125,457
Plan fiduciary net position - ending (b)	\$ 43,295,267	\$ 38,940,030	\$ 45,576,564	\$ 38,475,187	\$ 37,828,763	\$ 38,255,601	\$ 36,421,173	\$ 33,708,791	\$ 31,185,244	\$ 31,576,461
Net pension liability - ending (a) - (b)	\$ 19,003,841	\$ 17,771,031	\$ 8,908,830	\$ 11,974,269	\$ 10,418,871	\$ 8,639,321	\$ 9,519,785	\$ 11,909,876	\$ 10,567,312	\$ 9,122,302
Plan fiduciary net position as a percentage of the total pension liability	69.50%	68.66%	83.65%	76.26%	78.41%	81.58%	79.28%	73.89%	74.69%	77.59%
Covered payroll (*)	\$ 18,228,283	\$ 18,728,796	\$ 15,507,151	\$ 14,446,390	\$ 13,827,985	\$ 13,741,182	\$ 13,516,279	\$ 13,765,092	\$ 13,896,025	\$ 13,153,379
Commission's net pension liability as a percentage of covered payroll	104.25%	94.89%	57.45%	82.89%	75.35%	62.87%	70.43%	86.52%	76.05%	69.35%

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

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

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution (*)	\$ 1,436,456	\$ 1,246,373	\$ 1,363,265	\$ 1,030,279	\$ 982,362	\$ 1,008,132	\$ 910,280	\$ 912,901	\$ 1,048,049	\$ 1,063,921
Contributions in relation to the actuarially determined contribution (*)	\$ 1,436,456	\$ 1,246,373	\$ 1,363,265	\$ 1,030,279	\$ 982,362	\$ 1,008,132	\$ 910,280	\$ 912,901	\$ 1,048,049	\$ 1,063,921
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 18,214,075	\$ 18,228,283	\$ 18,728,796	\$ 15,507,151	\$ 14,446,390	\$ 13,827,985	\$ 13,741,182	\$ 13,516,279	\$ 13,765,092	\$ 13,896,025
Contributions as a percentage of covered payroll	7.89%	6.84%	7.28%	6.64%	6.80%	7.29%	6.62%	6.75%	7.61%	7.66%

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

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

**Notes to Schedule**

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

Methods and assumptions used to determine contribution rates for the period October 1 2023 to September 30, 2024:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25.9 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25-6.00% including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

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

	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>							
Service cost	\$ 255,465	\$ 196,639	\$ 402,076	\$ 402,076	\$ 301,899	\$ 301,899	\$ 290,120
Interest	242,267	238,053	209,320	205,055	293,825	275,204	279,876
Difference between expected and actual experience	(151,215)		(3,084,296)		(353,404)		
Changes in assumptions	1,694,234		(1,244,819)		1,979,778		
Benefit payments	(425,983)	(389,337)	(389,337)	(445,777)	(445,777)	(394,947)	(394,947)
Change in total OPEB liability	1,614,768	45,355	(4,107,056)	161,354	1,776,321	182,156	175,049
Total OPEB liability - beginning	5,034,022	4,988,667	9,095,723	8,934,369	7,158,048	6,975,892	6,800,843
Total OPEB liability - ending	\$ 6,648,790	\$ 5,034,022	\$ 4,988,667	\$ 9,095,723	\$ 8,934,369	\$ 7,158,048	\$ 6,975,892
Covered-employee payroll	\$ 15,492,527	\$ 14,793,409	\$ 14,793,409	\$ 12,784,147	\$ 12,784,147	\$ 11,729,224	\$ 11,729,224
Employer's OPEB Liability as a percentage of covered-employee payroll	42.92%	34.03%	33.72%	71.15%	69.89%	61.03%	59.47%

**Notes to Schedule**

Benefit Changes: There were no changes of benefit terms for the year ended September 30, 2024.

Discount Rate: 3.81%

Mortality: PubG.H 2010 (B)

Mortality improvement scale: 2/3 of MP-2021

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

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

	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution (*)	\$ 425,983	\$ 389,337	\$ 389,337	\$ 445,777	\$ 445,777	\$ 394,947	\$ 394,947
Contributions in relation to the contractually required contribution	\$ 425,983	\$ 389,337	\$ 389,337	\$ 445,777	\$ 445,777	\$ 394,947	\$ 394,947
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered-employee payroll	\$ 15,492,527	\$ 14,793,409	\$ 14,793,409	\$ 12,784,147	\$ 12,784,147	\$ 11,729,224	\$ 11,729,224
Contributions as a percentage of covered-employee payroll	2.75%	2.63%	2.63%	3.49%	3.49%	3.37%	3.37%

(\*) Premiums paid to the plan are reflected here.

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

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

	Budgeted Amounts		Actual Amounts		Budget to GAAP Differences	Actual Amounts	
	Original	Final	Budgetary Basis	GAAP Basis			
<b>Revenues</b>							
Taxes	\$ 18,900,474.00	\$ 18,900,474.00	\$ 19,616,795.04	(1) \$ 8,043,760.42	\$ 27,660,555.46		
Licenses and Permits	220,000.00	220,000.00	216,445.01		216,445.01		
Intergovernmental	3,976,474.00	4,970,666.00	4,993,387.88	(1) 395,890.34	5,389,278.22		
Charges for Services	6,990,985.00	6,990,985.00	7,049,291.63	(1) 229,260.34	7,278,551.97		
Miscellaneous	568,500.00	617,750.00	1,034,170.22	(1) 830,825.06	1,864,995.28		
Total Revenues	<u>30,656,433.00</u>	<u>31,699,875.00</u>	<u>32,910,089.78</u>		<u>9,499,736.16</u>	<u>42,409,825.94</u>	
<b>Expenditures</b>							
Current:							
General Government	9,302,700.00	10,047,642.00	10,087,946.54	(2) 348,805.27	10,436,751.81		
Public Safety	17,615,065.00	18,623,928.00	18,756,853.76	(2) 10,919.98	18,767,773.74		
Highways and Roads				(2) 3,530,189.38	3,530,189.38		
Sanitation				(2) 186,917.44	186,917.44		
Health	486,550.00	512,607.00	515,281.75		515,281.75		
Welfare	91,500.00	91,500.00	33,838.80	(2) 470,458.53	504,297.33		
Culture and Recreation	97,000.00	97,000.00	97,000.00	(2) 1,293,493.36	1,390,493.36		
Education	55,000.00	55,000.00	55,000.00	(2) 1,023.25	56,023.25		
Capital Outlay	171,500.00	889,433.00	1,305,320.31	(2) 1,624,810.17	2,930,130.48		
Debt Service							
Principal		68,754.00	147,265.88		147,265.88		
Interest		11,850.00	39,105.27		39,105.27		
Total Expenditures	<u>27,819,315.00</u>	<u>30,397,714.00</u>	<u>31,037,612.31</u>		<u>7,466,617.38</u>	<u>38,504,229.69</u>	
Excess (Deficiency) of Revenues Over Expenditures							
	<u>2,837,118.00</u>	<u>1,302,161.00</u>	<u>1,872,477.47</u>		<u>2,033,118.78</u>	<u>3,905,596.25</u>	
<b>Other Financing Sources (Uses)</b>							
Transfers In	217,185.00	411,817.00	633,941.18		633,941.18		
Proceeds from Sale of Capital Assets	10,000.00	10,000.00	35,496.00	(3) 2,725.00	38,221.00		
Proceeds from Issuance of Lease Liability			475,925.34		475,925.34		
Proceeds from Issuance of Notes from Direct Borrowing		355,484.00	355,484.48		355,484.48		
Transfers Out	(3,137,594.00)	(3,177,594.00)	(3,205,191.59)	(3) (1,601,656.93)	(4,806,848.52)		
Total Other Financing Sources (Uses)	<u>(2,910,409.00)</u>	<u>(2,400,293.00)</u>	<u>(1,704,344.59)</u>		<u>(1,598,931.93)</u>	<u>(3,303,276.52)</u>	
Net Change in Fund Balances							
	<u>(73,291.00)</u>	<u>(1,098,132.00)</u>	<u>168,132.88</u>	(4) 434,186.85	602,319.73		
Fund Balances - Beginning of Year	<u>17,928,888.20</u>	<u>17,928,888.20</u>	<u>16,452,797.15</u>		<u>1,476,091.05</u>	<u>17,928,888.20</u>	
Fund Balances - End of Year	<u>\$ 17,855,597.20</u>	<u>\$ 16,830,756.20</u>	<u>\$ 16,620,930.03</u>		<u>\$ 1,910,277.90</u>	<u>\$ 18,531,207.93</u>	

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

**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**

Pistol Permit Revenue Loss Fund	\$ 1,074.55
Park and Recreation Fund	280,162.25
Flood Insurance Permit Fund	240.18
Public Buildings, Roads and Bridges	8,716,850.21
Jack Maddox Industrial Park	1,014.65
Rural Morgan County Industrial Development	73,943.38
Industrial Fund	1,358.49
Landfill Fund	45,859.33
Recycling Fund	255,043.47
Commission on Aging	124,143.61
Disaster Relief Fund	46.04
	<hr/>
	\$ 9,499,736.16

**(2) Expenditures**

Park and Recreation Fund	\$ (1,332,626.55)
Public Buildings, Roads and Bridges	(5,065,820.86)
Rural Morgan County Industrial Development	(350,000.00)
Recycling Fund	(247,711.44)
Commission on Aging	(470,458.53)
	<hr/>
	(7,466,617.38)

**(3) Other Financing Sources/(Uses), Net**

Park and Recreation Fund	\$ 1,022,725.00
Public Buildings, Roads and Bridges	(3,166,570.00)
Rural Morgan County Industrial Development	173,913.07
Commission on Aging	371,000.00
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	(1,598,931.93)

Net Change in Fund Balance - Budget to GAAP

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\$ 434,186.85

**(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 Balance because of the cumulative effect of transactions such as those described above. Encumbrances outstanding at year-end are reported only as reservations of fund balances and do not constitute expenditures or liabilities.**

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Intergovernmental	\$ 2,550,000.00	\$ 2,140,000.00	\$ 2,358,712.20	\$ 563,417.36	\$ 2,358,712.20
Miscellaneous					563,417.36
Total Revenues	<u>2,550,000.00</u>	<u>2,140,000.00</u>	<u>2,922,129.56</u>		<u>2,922,129.56</u>
<b>Expenditures</b>					
Current:					
General		570,206.00	1,365,293.92		588,252.65
Public Safety	2,531,404.00	77,154.00	77,115.35		77,115.35
Sanitation		744,955.00	744,955.41		744,955.41
Culture and Recreation		50,000.00	50,000.00		50,000.00
Capital Outlay		549,592.00			777,041.27
Total Expenditures	<u>2,531,404.00</u>	<u>1,991,907.00</u>	<u>2,237,364.68</u>		<u>2,237,364.68</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,596.00</u>	<u>148,093.00</u>	<u>684,764.88</u>		<u>684,764.88</u>
<b>Other Financing Sources (Uses)</b>					
Transfers Out		(147,877.00)	(145,850.17)		(145,850.17)
Total Other Financing Sources (Uses)		<u>(147,877.00)</u>	<u>(145,850.17)</u>		<u>(145,850.17)</u>
Net Change in Fund Balances	<u>18,596.00</u>	<u>216.00</u>	<u>538,914.71</u>		<u>538,914.71</u>
Fund Balances - Beginning of Year			359,191.92		359,191.92
Fund Balances - End of Year	<u>\$ 18,596.00</u>	<u>\$ 216.00</u>	<u>\$ 898,106.63</u>		<u>\$ 898,106.63</u>

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Intergovernmental	\$ 4,710,000.00	\$ 4,710,000.00	\$ 678,550.46	\$	\$ 678,550.46
Miscellaneous			618,888.86		618,888.86
Total Revenues	<u>4,710,000.00</u>	<u>4,710,000.00</u>	<u>1,297,439.32</u>		<u>1,297,439.32</u>
<b>Expenditures</b>					
Current:					
General	4,000,000.00	3,431,470.00	35,562.06		35,562.06
Health		710,000.00	99,907.13		99,907.13
Welfare		18,530.00	18,527.02		18,527.02
Culture and Recreation	710,000.00				
Capital Outlay		550,000.00	544,306.96		544,306.96
Total Expenditures	<u>4,710,000.00</u>	<u>4,710,000.00</u>	<u>698,303.17</u>		<u>698,303.17</u>
Excess (Deficiency) of Revenues Over Expenditures			599,136.15		599,136.15
<b>Other Financing Sources (Uses)</b>					
Transfers					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances			599,136.15		599,136.15
Fund Balances - Beginning of Year			397,383.48		397,383.48
Fund Balances - End of Year	\$	\$	\$ 996,519.63	\$	\$ 996,519.63

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## *Supplementary Information*

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

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of the Interior</u></b>				
<b><u>Direct Program</u></b>				
Payments in Lieu of Taxes	15.226	N/A	\$	\$ 402.00
National Wildlife Refuge Fund	15.659	N/A		16,783.00
Total U. S. Department of the Interior				<u>17,185.00</u>
<b><u>U. S. Department of Justice</u></b>				
<b><u>Direct Program</u></b>				
Equitable Sharing Program	16.922	N/A		41,866.99
Congressionally Recommended Awards	16.753	15PBJA-24-GG-00276-BRND		335,788.50
Total U. S. Department of Justice				<u>377,655.49</u>
<b><u>U. S. Department of Transportation</u></b>				
<b><u>Passed Through Franklin County Commission</u></b>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	24-FP-PT-028		4,357.04
State and Community Highway Safety	20.600	24-FP-OP-026		2,608.11
Sub-Total State and Community Highway Safety				<u>6,965.15</u>
National Priority Safety Programs	20.616	24-ID-M5-031		3,912.58
National Priority Safety Programs	20.616	24-ID-DS-030		5,693.01
Sub-Total National Priority Safety Programs				<u>9,605.59</u>
Sub-Total Highway Safety Cluster				<u>16,570.74</u>
<b><u>Passed Through Alabama Emergency Management Agency</u></b>				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	24HMEP		20,351.32
Total U. S. Department of Transportation				<u>36,922.06</u>
<b><u>U. S. Department of Treasury</u></b>				
<b><u>Direct Program</u></b>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,278,934.76	3,037,262.66
Total U. S. Department of Treasury			<u>1,278,934.76</u>	<u>3,037,262.66</u>
<b><u>General Services Administration</u></b>				
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>				
Donation of Federal Surplus Personal Property (N)	39.003	N/A		1,995.68
Total General Services Administration				<u>1,995.68</u>
Sub-Total Forward			\$ 1,278,934.76	\$ 3,471,020.89

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

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
Sub-Total Brought Forward			\$ 1,278,934.76	\$ 3,471,020.89
<b>U. S. Department of Health and Human Services</b>				
<b>Passed Through North Alabama Regional Council of Governments</b>				
Aging Cluster:				
Special Programs for the Aging, Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A		50,000.00
Special Programs for the Aging, Title III, Part C - Nutrition Services	93.045	N/A		50,249.50
Sub-Total Aging Cluster				100,249.50
<b>Passed Through Alabama Department of Public Health</b>				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	C20115175		19,847.40
Total U. S. Department of Health and Human Services				120,096.90
<b>U. S. Department of Homeland Security</b>				
<b>Passed Through Alabama Emergency Management Agency</b>				
Emergency Management Performance Grants	97.042	24EMF		61,574.00
Emergency Management Performance Grants	97.042	24EMA		2,024.00
Sub-Total Emergency Management Performance Grants				63,598.00
<b>Passed Through Alabama Law Enforcement Agency</b>				
Homeland Security Grant Program	97.067	22FIL		5,870.00
Homeland Security Grant Program	97.067	23FIL		7,499.00
Sub-Total Homeland Security Grant Program				13,369.00
Total U. S. Department of Homeland Security				76,967.00
<b>Other Federal Assistance</b>				
<b>Tennessee Valley Authority</b>				
<b>Passed Through Alabama Emergency Management Agency</b>				
Radiological Emergency Plans	N/A	N/A		231,926.19
Total Expenditures of Federal Awards			\$ 1,278,934.76	\$ 3,900,010.98

(N) = Non-Cash Assistance

N/A = Not Available/Not Applicable

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

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

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

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

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

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

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

### **Note 3 – Indirect Cost Rate**

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

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## *Additional Information*

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

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<b><u>Commission Members</u></b>		<b><u>Term Expires</u></b>
Hon. Ray Long	Chairman	November 2028
Hon. Jeff Clark	Member	November 2026
Hon. Don Stisher	Member	November 2024
Hon. Greg Abercrombie	Member	November 2028
Hon. Randy Vest	Member	November 2026
<b><u>Administrative Personnel</u></b>		
Julie M. Reeves	Chief Administrative Officer	Indefinite

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

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## **Independent Auditor's Report**

Members of the Morgan County Commission and Chief Administrative Officer  
Decatur, 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 Morgan County Commission, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Morgan County Commission's basic financial statements, and have issued our report thereon dated December 19, 2025.

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

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

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

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

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

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

As part of obtaining reasonable assurance about whether the Morgan 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

December 19, 2025

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

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## **Independent Auditor's Report**

Members of the Morgan County Commission and Chief Administrative Officer  
Decatur, Alabama

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

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

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

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

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

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

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

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

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## **Responsibilities of Management for Compliance**

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

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

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

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

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

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

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

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

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

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

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

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

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

December 19, 2025

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

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

**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

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

Unmodified

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

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

Yes  No

Identification of major federal programs:

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

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

Yes  No

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

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

No matters were reportable.

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

No matters were reportable.