

Report on the

Pickens County Commission

Pickens County, Alabama

October 1, 2018 through September 30, 2019

Filed: September 16, 2022



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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

Dear Madam:

An audit was conducted on the Pickens County Commission, Pickens County, Alabama, for the period October 1, 2018 through September 30, 2019, by Examiners Laura Madison and Frances deGraffenried. I, Laura Madison, 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,

Laura H. Madison
Examiner of Public Accounts

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Department of Examiners of Public Accounts

SUMMARY

Pickens County Commission October 1, 2018 through September 30, 2019

The Pickens County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Pickens County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 18. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Pickens County.

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

An unmodified opinion was issued for all of the opinion units on the accompanying financial statements except for the governmental activities opinion unit. An unmodified opinion 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, 2019. The basis for the qualified opinion on the governmental activities opinion unit is explained in the Independent Auditor’s Report.

Financial statements for the fiscal year ending September 30, 2019 were not prepared by management until April 29, 2021. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

AUDIT FINDINGS

Instances of noncompliance with state laws and regulations and other matters were found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and they are summarized below:

- ◆ 2019-001 relates to the Commission misclassifying an individual as an independent contractor and approving payments.
- ◆ 2019-002 relates to a deficit fund balance in the General Fund. This finding was previously reported as Findings 2012-001 and 2007-001.

Problems were found with the Commission's internal controls over financial reporting (Exhibit 19) and they are summarized below:

- ◆ 2019-003 relates to the failure of the Commission to record its Other Postemployment Benefits liability and related amounts.
- ◆ 2019-004 relates to not properly reconciling bank statements.
- ◆ 2019-005 relates to short-term debt being improperly classified.
- ◆ 2019-006 relates to interfund activities not being reconciled.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 18, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Cheryl Bowles, Administrator; and Commissioners: Bobby Bain, Frederick Kennedy, Drew Elmore, Jerry Fitch and Mark Gray. Also in attendance were representatives from the Department of Examiners of Public Accounts: Shelley Patrenos, Audit Manager; Laura Madison, Examiner; and Frances deGraffenried, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings

For the Year Ended September 30, 2019

Ref. No.	Finding/Noncompliance
2019-001	<p><u>Finding:</u> The Internal Revenue Service (IRS) Publication 15-A defines employees and independent contractors and provides information to aid in properly identifying each. An individual was classified and paid as an independent contractor by the Pickens County Commission with no contract (written or otherwise) in place between Pickens County and the individual. The individual was paid hourly, submitted a weekly timesheet, used the County's equipment, received instructions directly from a supervisor who was a county employee and was paid through the accounts payable process on a weekly basis. The Commission did not have procedures in place to determine whether an individual performing work for the Commission was properly classified as an employee or an independent contractor. Further, the Commission did not have procedures in place to ensure that a contract was executed between the Commission and the independent contractor. As a result, the Commission appears to have not followed IRS requirements when classifying the employee as an independent contractor, which may have resulted in improper withholdings.</p> <p><u>Recommendation:</u> The Commission should ensure that individuals performing work are properly classified as employee or independent contractor and that contracts are properly executed, when necessary, for individuals classified as independent contractors.</p>
2019-002	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 11-8-10, provides no warrant or order for the payment of money shall be issued under authority of the county commission until funds are available for payment. The Commission expended more in the General Fund than it had in available resources resulting in a deficit fund balance of \$207,400.40. Procedures were not in place to ensure the availability of funds prior to disbursements. As a result, the Commission failed to comply with the <i>Code of Alabama 1975</i>, Section 11-8-10, and expended more funds than were available for payment.</p> <p><u>Recommendation:</u> The Commission should ensure compliance with all aspects of the <i>Code of Alabama 1975</i>, Section 11-8-10.</p>

Independent Auditor's Report

Independent Auditor's Report

Members of Pickens County Commission and County Administrator
Carrollton, Alabama

Report on the Financial Statements

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 Pickens County Commission, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Pickens County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

The management of the Pickens County Commission is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Governmental Fund – General Fund	Unmodified
Governmental Fund – Gasoline Tax Fund	Unmodified
Governmental Fund – RRR Gasoline Fund	Unmodified
Governmental Fund – Reappraisal	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

The management of the Pickens County Commission has not recorded its Other Postemployment Benefit (OPEB) liability in the governmental activities, and accordingly, has not recorded deferred outflows of resources, deferred inflows of resources, expense or revenue associated with its current period change. Accounting principles generally accepted in the United States of America require that the OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and revenue be recorded, which would increase or decrease the liabilities, deferred outflows of resources, deferred inflows of resources, net position, expenses, and revenues of the governmental activities. The amount by which this departure would affect the OPEB liability, deferred outflows of resources, deferred inflows of resources, net position, expenses, and revenues of the Governmental Activities is not reasonably determinable.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matters discussed in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities of the Pickens County Commission, as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and aggregate remaining fund information of the Pickens County Commission, as of September 30, 2019, and the respective changes in financial position, and where applicable, and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

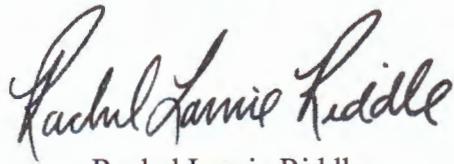
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 17), be presented to supplement the basic financial statements. Such 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. 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 Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability and the Schedule of the Employer's Contributions – OPEB 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 opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated July 11, 2022, on our consideration of the Pickens County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pickens 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 Pickens County Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rachel Laurie Riddle". The signature is written in a cursive style with a large initial "R".

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 11, 2022

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Basic Financial Statements

Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 1,616,339.87	\$ 1,988.32	\$ 1,618,328.19
Investments	486,968.34		486,968.34
Receivables (Note 4)	327,496.98	32,927.96	360,424.94
Ad Valorem Taxes Receivable	2,152,735.21		2,152,735.21
Total Current Assets	4,583,540.40	34,916.28	4,618,456.68
<u>Noncurrent Assets</u>			
Restricted Cash and Cash Equivalents	1.04		1.04
Capital Assets (Note 5):			
Nondepreciable	1,148,287.67	75,800.00	1,224,087.67
Depreciable, Net	13,062,903.46	79,948.51	13,142,851.97
Total Noncurrent Assets	14,211,192.17	155,748.51	14,366,940.68
Total Assets	18,794,732.57	190,664.79	18,985,397.36
<u>Deferred Outflows of Resources</u>			
Employer Pension Contribution	118,230.00		118,230.00
Deferred Outflows Related to Net Pension Liability	157,823.00		157,823.00
Total Deferred Outflows of Resources	276,053.00		276,053.00
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Payables (Note 7)	356,228.79	23,196.00	379,424.79
Salaries Payable	84,148.94		84,148.94
Accrued Interest Payable	11,187.79		11,187.79
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Capital Lease Payable	42,003.35		42,003.35
Notes Payable	989,157.72		989,157.72
Warrants Payable	150,000.00		150,000.00
Landfill Post Closure Care Costs	14,200.00		14,200.00
Less: Unamortized Discount	(862.88)		(862.88)
Compensated Absences	35,460.11		35,460.11
Total Current Liabilities	\$ 1,681,523.82	\$ 23,196.00	\$ 1,704,719.82

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

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<u>Noncurrent Liabilities</u>			
Portion Due or Payable After One Year:			
Capital Lease Payable	\$ 60,320.47	\$	\$ 60,320.47
Notes Payable	434,266.25		434,266.25
Warrants Payable	1,420,000.00		1,420,000.00
Less: Unamortized Discount	(6,543.47)		(6,543.47)
Compensated Absences	319,140.97		319,140.97
Landfill Post Closure Care Cost	99,400.00		99,400.00
Net Pension Liability	(56,974.00)		(56,974.00)
Total Noncurrent Liabilities	2,269,610.22		2,269,610.22
Total Liabilities	3,951,134.04	23,196.00	3,974,330.04
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Tax	2,152,735.21		2,152,735.21
Revenue Received in Advance - Property Tax	187,258.69		187,258.69
Revenue Received in Advance - Motor Vehicle Tax	114,632.63		114,632.63
Deferred Inflows Related to Net Pension Liability	757,725.00		757,725.00
Total Deferred Inflows of Resources	3,212,351.53		3,212,351.53
<u>Net Position</u>			
Net Investment in Capital Assets	11,122,849.69	155,748.51	11,278,598.20
Restricted for:			
Road Projects	1,718,249.25		1,718,249.25
Debt Service	98,826.64		98,826.64
Other Purposes	609,381.26	11,720.28	621,101.54
Assigned:			
Other Purposes	94,565.64		94,565.64
Unrestricted	(1,736,572.48)		(1,736,572.48)
Total Net Position	\$ 11,907,300.00	\$ 167,468.79	\$ 12,074,768.79

Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
<u>Governmental Activities:</u>							
General Government	\$ 3,087,942.97	\$ 661,429.62	\$ 137,969.37	\$ 699,976.60	\$ (1,588,567.38)	\$	\$ (1,588,567.38)
Public Safety	3,513,147.00	683,926.61	3,996.00		(2,825,224.39)		(2,825,224.39)
Highways and Roads	2,750,519.93	89,650.00		120,713.59	(2,540,156.34)		(2,540,156.34)
Health	137,983.30	386.53	3,601.68		(133,995.09)		(133,995.09)
Welfare	72,486.88				(72,486.88)		(72,486.88)
Culture and Recreation	88,886.01				(88,886.01)		(88,886.01)
Education	8,298.00				(8,298.00)		(8,298.00)
Interest on Long-Term Debt	136,841.78				(136,841.78)		(136,841.78)
Total Governmental Activities	9,796,105.87	1,435,392.76	145,567.05	820,690.19	(7,394,455.87)		(7,394,455.87)
<u>Business-Type Activities:</u>							
Other Business Type Activity	49,239.41	4,635.65				(44,603.76)	(44,603.76)
Total Business-Type Activities	49,239.41	4,635.65				(44,603.76)	(44,603.76)
Total Primary Government	\$ 9,845,345.28	\$ 1,440,028.41	\$ 145,567.05	\$ 820,690.19	(7,394,455.87)	(44,603.76)	(7,439,059.63)
<u>General Revenues:</u>							
Taxes:							
Property Taxes for General Purposes					1,135,146.67		1,135,146.67
Property Taxes for Specific Purposes					2,119,735.22		2,119,735.22
General Sales Tax					741,974.31		741,974.31
Miscellaneous Taxes					27,150.65		27,150.65
Grants and Contributions Not Restricted for Specific Programs					5,993,470.12		5,993,470.12
Interest Earned					2,674.56	1.07	2,675.63
Miscellaneous					2,087,991.91	13,388.92	2,101,380.83
Total General Revenues					12,108,143.44	13,389.99	12,121,533.43
Change in Net Position					4,713,687.57	(31,213.77)	4,682,473.80
Net Position - Beginning of Year					7,193,612.43	198,682.56	7,392,294.99
Net Position - End of Year					\$ 11,907,300.00	\$ 167,468.79	\$ 12,074,768.79

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

Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 250,432.92	\$ 44,861.39	\$ 69,574.47	\$ 195,099.58	\$ 1,056,372.55	\$ 1,616,340.91
Investments			486,968.34			486,968.34
Receivables (Note 4)	125,877.62	103,355.68	85,974.62	2,170.50	10,118.56	327,496.98
Ad Valorem Taxes Receivable	1,878,478.53			274,256.68		2,152,735.21
Interfund Receivable	159,896.78	419,874.47			2,525.00	582,296.25
Total Assets	2,414,685.85	568,091.54	642,517.43	471,526.76	1,069,016.11	5,165,837.69
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Payables (Note 7)	154,643.53	148,393.35	36,997.03	2,269.64	13,925.24	356,228.79
Salaries Payable	55,302.09	17,945.43		7,741.75	3,159.67	84,148.94
Interfund Payables	419,029.47	80,666.80			82,599.98	582,296.25
Total Liabilities	628,975.09	247,005.58	36,997.03	10,011.39	99,684.89	1,022,673.98
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	1,878,478.53			274,256.68		2,152,735.21
Revenue Received in Advance - Property Taxes				187,258.69		187,258.69
Revenue Received in Advance - Motor Vehicle Taxes	114,632.63					114,632.63
Total Deferred Inflows of Resources	1,993,111.16			461,515.37		2,454,626.53
Fund Balances						
Restricted for:						
Debt Service					110,014.43	110,014.43
Roads	268,435.85	321,085.96	973,357.55		155,369.89	1,718,249.25
Local Officials					29,340.31	29,340.31
Public Safety					112,445.95	112,445.95
Other Purposes					467,595.00	467,595.00
Assigned to:						
Capital Improvement					94,565.64	94,565.64
Unassigned	(475,836.25)		(367,837.15)			(843,673.40)
Total Fund Balances	(207,400.40)	321,085.96	605,520.40		969,331.22	1,688,537.18
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,414,685.85	\$ 568,091.54	\$ 642,517.43	\$ 471,526.76	\$ 1,069,016.11	\$ 5,165,837.69

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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position September 30, 2019

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 1,688,537.18

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:

Land	\$ 452,522.33	
Land Improvements - Exhaustible	695,765.34	
Infrastructure - Bridges	7,489,659.37	
Buildings and Building Improvements	10,053,561.41	
Equipment and Furniture	5,411,346.06	
Vehicles Under Capital Lease	199,932.00	
Accumulated Depreciation	<u>(10,091,595.38)</u>	
Total Capital Assets		14,211,191.13

Deferred Outflows and Inflows of Resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Net Pension Liability	\$ 276,053.00	
Deferred Inflows Related to Net Pension Liability	<u>(757,725.00)</u>	(481,672.00)

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

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 150,000.00	\$ 1,420,000.00	
Capital Lease Payable	42,003.35	60,320.47	
Notes Payable	989,157.72	434,266.25	
Less: Deferred Charges on Refunding	(862.88)	(6,543.47)	
Compensated Absences	35,460.11	319,140.97	
Accrued Interest Payable	11,187.79		
Landfill Post Closure Cost	14,200.00	99,400.00	
Net Pension Liability		<u>(56,974.00)</u>	
Total Long-Term Liabilities	\$ 1,241,146.09	\$ 2,269,610.22	<u>(3,510,756.31)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 11,907,300.00

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 2,503,329.35	\$	\$	\$ 414,098.49	\$ 240,295.75	\$ 3,157,723.59
Licenses and Permits	30,153.26					30,153.26
Intergovernmental	824,155.09	4,597,547.51	1,128,593.06		1,327,657.34	7,877,953.00
Charges for Services	665,849.33	89,650.00			648,549.94	1,404,049.27
Miscellaneous	55,457.61	456,074.80	491.02	5,437.59	5,827.58	523,288.60
Total Revenues	4,078,944.64	5,143,272.31	1,129,084.08	419,536.08	2,222,330.61	12,993,167.72
Expenditures						
Current:						
General Government	1,320,002.54			404,536.08	3,852.46	1,728,391.08
Public Safety	2,487,874.98				875,548.30	3,363,423.28
Highways and Roads		1,207,026.59	1,301,397.70			2,508,424.29
Health	13,412.65				111,158.00	124,570.65
Welfare	21,500.00				50,986.88	72,486.88
Culture and Recreation	75,434.69					75,434.69
Education	8,298.00					8,298.00
Capital Outlay	109,813.00	4,636,424.60		15,000.00	561,881.90	5,323,119.50
Debt Service:						
Principal Retirement	72,588.32	1,196,909.43			145,000.00	1,414,497.75
Interest and Fiscal Charges	9,742.97	49,688.14			65,360.00	124,791.11
Total Expenditures	4,118,667.15	7,090,048.76	1,301,397.70	419,536.08	1,813,787.54	14,743,437.23
Excess (Deficiency) of Revenues Over Expenditures	(39,722.51)	(1,946,776.45)	(172,313.62)		408,543.07	(1,750,269.51)
Other Financing Sources (Uses)						
Transfers In	129,134.00	120,713.60			270,176.16	520,023.76
Proceeds from Sale of Capital Assets	5,000.00	1,511,625.72				1,516,625.72
Proceeds/Discounts on Debt Issued	83,044.57	1,271,038.50				1,354,083.07
Transfers Out	(58,941.05)				(461,082.71)	(520,023.76)
Total Other Financing Sources (Uses)	158,237.52	2,903,377.82			(190,906.55)	2,870,708.79
Net Changes in Fund Balances	118,515.01	956,601.37	(172,313.62)		217,636.52	1,120,439.28
Fund Balances - Beginning of Year	(325,915.41)	(635,515.41)	777,834.02		751,694.70	568,097.90
Fund Balances - End of Year	\$ (207,400.40)	\$ 321,085.96	\$ 605,520.40	\$	\$ 969,331.22	\$ 1,688,537.18

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, 2019***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,120,439.28

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

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

Capital Outlay Expenditures	\$ 5,323,119.50	
Depreciation Expense	<u>(558,081.84)</u>	
Total		4,765,037.66

Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,414,497.75

Discounts on debt issuance are reported as other financing sources in the governmental funds but are deferred and amortized in the Statement of Activities (862.88)

Proceeds from the issuance of debt are reported as financing sources in the 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. (1,354,083.07)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by the book value of assets disposed.

Proceeds from Sale of Capital Assets	\$ (1,516,625.72)	
Gain on Disposition of Capital Assets	<u>132,976.01</u>	(1,383,649.71)

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

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

Net Increase in Compensated Absences	\$	(88,567.67)	
Net Increase in Accrued Interest Payable		(11,187.79)	
Pension Expense		237,864.00	
Net Decrease in Estimated Liability for Postclosure Care Costs		<u>14,200.00</u>	
Total Additional Expenses			<u>152,308.54</u>
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 4,713,687.57</u></u>

Statement of Net Position
Proprietary Fund
September 30, 2019

	Enterprise Fund	Total Enterprise Fund
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,988.32	\$ 1,988.32
Accounts Receivable (Note 4)	32,927.96	32,927.96
Total Current Assets	<u>34,916.28</u>	<u>34,916.28</u>
<u>Noncurrent Assets</u>		
Capital Assets (Note 5):		
Nondepreciable	75,800.00	75,800.00
Depreciable, Net	79,948.51	79,948.51
Total Noncurrent Assets	<u>155,748.51</u>	<u>155,748.51</u>
Total Assets	<u>190,664.79</u>	<u>190,664.79</u>
<u>Liabilities</u>		
Accounts Payable (Note 7)	23,196.00	23,196.00
Total Liabilities	<u>23,196.00</u>	<u>23,196.00</u>
<u>Net Position</u>		
Net Investment in Capital Assets	155,748.51	155,748.51
Other Purposes	11,720.28	11,720.28
Total Net Position	<u>\$ 167,468.79</u>	<u>\$ 167,468.79</u>

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

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2019

	Enterprise Fund	Total Enterprise Fund
<u>Operating Revenues</u>		
Charges for Services	\$ 4,635.65	\$ 4,635.65
Total Operating Revenues	<u>4,635.65</u>	<u>4,635.65</u>
<u>Operating Expenses</u>		
Solid Waste Services	18,570.25	18,570.25
Depreciation	<u>30,669.16</u>	<u>30,669.16</u>
Total Operating Expenses	<u>49,239.41</u>	<u>49,239.41</u>
Operating Loss	<u>(44,603.76)</u>	<u>(44,603.76)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest Revenue	1.07	1.07
Miscellaneous Revenue	<u>13,388.92</u>	<u>13,388.92</u>
Total Nonoperating Revenues (Expenses)	<u>13,389.99</u>	<u>13,389.99</u>
Change in Net Position	(31,213.77)	(31,213.77)
Total Net Position - Beginning of Year	<u>198,682.56</u>	<u>198,682.56</u>
Total Net Position - End of Year	<u>\$ 167,468.79</u>	<u>\$ 167,468.79</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, 2019

	Enterprise Fund	Total Enterprise Fund
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers	\$ 7,653.97	\$ 7,653.97
Payments for Goods and Services	(21,588.57)	(21,588.57)
Net Cash Provided (Used) by Operating Activities	<u>(13,934.60)</u>	<u>(13,934.60)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Earned	1.07	1.07
Miscellaneous Revenues	13,388.92	13,388.92
Net Cash Provided (Used) by Investing Activities	<u>13,389.99</u>	<u>13,389.99</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(544.61)	(544.61)
Cash and Cash Equivalents - Beginning of Year	<u>2,532.93</u>	<u>2,532.93</u>
Cash and Cash Equivalents - End of Year	<u><u>1,988.32</u></u>	<u><u>1,988.32</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>		
Operating Income (Loss)	(44,603.76)	(44,603.76)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities</u>		
Depreciation Expense	30,669.16	30,669.16
(Increase)/Decrease in Accounts Receivable	(3,018.32)	(3,018.32)
Increase/(Decrease) in Accounts Payable	3,018.32	3,018.32
Total Adjustments	<u>30,669.16</u>	<u>30,669.16</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (13,934.60)</u></u>	<u><u>\$ (13,934.60)</u></u>

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

Statement of Fiduciary Net Position
For the Year Ended September 30, 2019

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 112,537.69	\$ 620,873.53
Total Assets	<u>112,537.69</u>	<u>620,873.53</u>
<u>Liabilities</u>		
Payables (Note 7)	<u>31,709.79</u>	<u>620,873.53</u>
Total Liabilities	<u>31,709.79</u>	<u>\$ 620,873.53</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>80,827.90</u>	
Total Net Position	<u>\$ 80,827.90</u>	

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

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2019

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Contributions from:	
Excess Land Sales	\$ 39,273.37
Miscellaneous	10,586.72
Total Additions	<u>49,860.09</u>
<u>Deductions</u>	
Miscellaneous	<u>4,731.83</u>
Change in Net Position	45,128.26
Total Net Position - Beginning of Year	<u>35,699.64</u>
Total Net Position - End of Year	<u><u>\$ 80,827.90</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues includes (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 non-major funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, this fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditure of the seven-cent State gasoline revenue for the construction, improvement, maintenance and supervision of highways, bridges and roads.
- ◆ **RRR Gasoline Tax Fund** – This fund is used to account for the State 4 cent gasoline tax for the repair, resurfacing and restoration of existing paved county roads and bridges and for bridge replacement.
- ◆ **Reappraisal Fund** – This fund is used to account for the property taxes and other revenues required to be expended for the cost of the property reappraisal program.

Notes to the Financial Statements

For the Year Ended September 30, 2019

The Commission reports the following major enterprise fund:

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

The Commission reports the following 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 the accumulation of resources that are restricted, committed or assigned for the payment of the Commission's principal and interest on governmental warrants.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other governments.

Notes to the Financial Statements

For the Year Ended September 30, 2019

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

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

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

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, compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise fund 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 non-operating 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 components of net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Notes to the Financial Statements

For the Year Ended September 30, 2019

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

1. Deposits and Investments

Cash includes cash on hand and demand deposits.

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

Investments consist of certificates of deposit and are reported at 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 primarily include State shared revenues and amounts due from grantors for grants issued for specific programs and capital projects and amounts due from municipalities.

Receivables in the Solid Waste Fund are amounts due from customers who are charged fees for services provided by the Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2019

3. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
<u>Governmental Activities:</u>		
Infrastructure – Roads	\$250,000.00	20 – 50 years
Infrastructure – Bridges	\$ 50,000.00	40 – 50 years
Buildings and Improvements	\$ 50,000.00	20 – 50 years
Equipment and Furniture	\$ 5,000.00	5 – 10 years

	Capitalization Threshold	Estimated Useful Life
<u>Business-Type Activities:</u>		
Buildings and Improvements	\$50,000.00	20 – 50 years
Equipment and Furniture	\$ 5,000.00	5 – 10 years

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

4. Deferred Outflows of Resources

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

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Warrant discounts are deferred and amortized over the life of the warrants. Warrants payable are reported at gross with the applicable warrant discount reported separately.

In the fund financial statements, governmental fund types recognize warrant discounts during the current period. The face amount of debt issued is reported as other financing sources. Discounts are reported as other financing sources and uses.

6. Compensated Absences

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

Annual Leave

Annual leave is earned by Commission employees as follows:

Years of Service	Vacation Days Earned
1	10
5	11
10	12
15	13
20	14
25	15

Sick Leave

All full-time employees earn 3.690 hours of sick leave per pay period with no maximum accrued. At retirement, 480 hours can be sold back to the county or employees may receive their monies in insurance premiums. Employees may be allowed upon application for retirement to apply all accrued sick leave hours credit toward retirement in accordance with State Retirement System regulations. There is no maximum cap regarding sick leave used toward retirement.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Compensatory Leave

The Governmental Accounting Standards Board (GASB) requires the accrual of a liability for sick leave using one of two termination approaches – termination payments or the vesting method. The Commission uses the termination method. Under this method an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

7. 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 Commission that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

8. 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 categories:

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

E. Pensions

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

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United State of America (GAAP) for the General, Gasoline Tax and Reappraisal Funds with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, in the General Fund, ad valorem taxes are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. All other governmental funds are budgeted on a basis of accounting consistent with GAAP. All appropriations lapse at fiscal year-end.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

B. Deficit Fund Balances/Net Position of Individual Funds

At September 30, 2019, the following governmental funds had a deficit fund balance:

General Fund	<u>\$207,400.40</u>
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The deficit fund balance in the General Fund is a result of a lack of adequate funding from local sources. Over the past several years, the Commission has taken measures to drastically cut expenses in an effort to reduce the deficit. The Commission is continuing to pursue ways to increase local revenues that will cover expenses in the General Fund and eventually eliminate the deficit fund balance.

Note 3 – Deposits and Investments

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 Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 4 – Receivables

On September 30, 2019, receivables for the Commission's individual major funds, other governmental funds, and business-type activities in the aggregate are as follows:

	Accounts Receivable	Due from Other Governmental Units	Sales Tax	Total Receivables
<u>Governmental Activities:</u>				
General Fund	\$ 1,694.92	\$105,812.24	\$18,370.46	\$125,877.62
Gasoline Tax Fund	27,200.82	76,154.86		103,355.68
RRR Gasoline Tax Fund		85,974.62		85,974.62
Reappraisal Fund	2,170.50			2,170.50
Other Governmental Funds	3,539.63	6,578.93		10,118.56
Total Governmental Activities	34,605.87	274,520.65	18,370.46	327,496.98
<u>Business-Type Activities:</u>				
Solid Waste Fund	32,927.96			32,927.96
Total Business-Type Activities	\$32,927.96	\$	\$	\$ 32,927.96

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 10/01/2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2019
<u>Governmental Activities:</u>				
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$ 452,522.33	\$	\$	\$ 452,522.33
Land Improvements	133,883.44	561,881.90		695,765.34
Total Capital Assets Not Being Depreciated	586,405.77	561,881.90		1,148,287.67
<u>Capital Assets Being Depreciated:</u>				
Infrastructure	4,548,752.77	2,940,906.60		7,489,659.37
Buildings	10,021,261.41	32,300.00		10,053,561.41
Equipment and Furniture	5,387,722.44	1,788,031.00	(1,764,407.38)	5,411,346.06
Vehicles Under Capital Lease	199,932.00			199,932.00
Total Capital Assets Being Depreciated	20,157,668.62	4,761,237.60	(1,764,407.38)	23,154,498.84
<u>Less Accumulated Depreciation for:</u>				
Infrastructure	(1,139,880.99)	(150,480.15)		(1,290,361.14)
Buildings	(6,016,435.12)	(257,002.85)		(6,273,437.97)
Equipment and Furniture	(2,737,961.90)	(110,612.44)	380,757.67	(2,467,816.67)
Vehicles Under Capital Lease	(19,993.20)	(39,986.40)		(59,979.60)
Total Accumulated Depreciation	(9,914,271.21)	(558,081.84)	380,757.67	(10,091,595.38)
Total Capital Assets Being Depreciated, Net	10,243,397.41	4,203,155.76	(1,383,649.71)	13,062,903.46
Total Governmental Activities Capital Assets, Net	\$10,829,803.18	\$4,765,037.66	\$(1,383,649.71)	\$14,211,191.13

Notes to the Financial Statements
For the Year Ended September 30, 2019

	Balance 10/01/2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2019
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 75,800.00	\$	\$	\$ 75,800.00
Total Capital Assets Not Being Depreciated	75,800.00			75,800.00
Capital Assets Being Depreciated:				
Buildings	78,913.00			78,913.00
Equipment and Furniture	170,650.04			170,650.04
Total Capital Assets Being Depreciated	249,563.04			249,563.04
Less Accumulated Depreciation for:				
Buildings	(108,458.95)	(8,345.88)		(116,804.83)
Equipment and Furniture	(30,486.42)	(22,323.28)		(52,809.70)
Total Accumulated Depreciation	(138,945.37)	(30,669.16)		(169,614.53)
Total Capital Assets Being Depreciated, Net	110,617.67	(30,669.16)		79,948.51
Total Business-Type Activities Capital Assets, Net	\$ 186,417.67	\$(30,669.16)	\$	\$ 155,748.51

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$139,398.51
Public Safety	149,723.72
Highways and Roads	242,095.64
Health	13,412.65
Culture and Recreation	13,451.32
Total Depreciation Expense – Governmental Activities	<u>\$558,081.84</u>

	Current Year Depreciation Expense
Business-Type Activities:	
Solid-Waste	\$30,669.16
Total Depreciation Expense – Business-Type Activities	<u>\$30,669.16</u>

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. 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.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2019

Benefits Provided

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

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

Notes to the Financial Statements

For the Year Ended September 30, 2019

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active Members	56,760
Post-DROP participants who are still in active service	141
Total	<u>90,999</u>

Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the Commission's active employee contribution rate was 4.25 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 3.71 percent of covered employee payroll.

Notes to the Financial Statements

For the Year Ended September 30, 2019

The Commission's contractually required contribution rate for the year ended September 30, 2019, was 5.73% of pensionable pay for Tier 1 employees, and 2.99% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 \$118,230.00 for the year ended September 30, 2019.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward		
	Expected	Actual	Actual
(a) Total Pension Liability as of September 30, 2017	\$7,376,712	\$6,912,815	\$6,950,542
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry Age Normal cost for the period October 1, 2017 – September 30, 2018	246,362	246,362	248,316
(d) Transfers among Employers		18,603	18,603
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 – September 30, 2018	(390,121)	(390,121)	(390,121)
(f) Total Pension Liability as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + .05)*(b)]]	<u>\$7,789,208</u>	<u>\$7,308,285</u>	<u>\$7,347,513</u>
(g) Difference between Expected and Actual		\$ (480,923)	
(h) Less Liability Transferred for Immediate Recognition:		<u>18,603</u>	
(i) Experience (Gain)/Loss = (g) – (h)		<u>\$ (499,526)</u>	
Difference between Actual at 7.70% and Actual at 7.75%			
(j) [Assumption Change (Gain)/ Loss] =			<u>\$ 39,228</u>

Notes to the Financial Statements

For the Year Ended September 30, 2019

Actuarial Assumptions

The total pension liability in the September 30, 2018, valuation was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Notes to the Financial Statements

For the Year Ended September 30, 2019

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.75%		

Discount Rate

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

Notes to the Financial Statements
For the Year Ended September 30, 2019

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, 2017	\$7,376,412	\$6,824,209	\$ 552,203
Changes for the Year:			
Service Cost	246,362		246,362
Interest	556,555		556,555
Changes of Assumptions	39,228		39,228
Difference Between Expected and Actual Experience	(499,526)		(499,526)
Contributions - Employer		121,108	(121,108)
Contributions - Employee		201,394	(201,394)
Net Investment Income		629,294	(629,294)
Benefit Payments, Including Refunds of Employee Contributions	(390,121)	(390,121)	
Transfers Among Employers	(18,603)	(18,603)	
Net Changes	(28,899)	580,278	(609,177)
Balances at September 30, 2018	\$7,347,513	\$7,404,487	\$ (56,974)

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

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Commission's Net Pension Liability (Asset)	\$808,738	\$(56,974)	\$(789,009)

Notes to the Financial Statements

For the Year Ended September 30, 2019

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated September 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2019, the Commission recognized pension income of \$119,634. At September 30, 2019, the Pickens County Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 27,544	\$519,495
Changes of Assumptions	130,279	
Net difference between projected and actual earnings on pension plan investments		238,230
Employer contributions subsequent to the measurement date	118,230	
Total	<u>\$276,053</u>	<u>\$757,725</u>

Notes to the Financial Statements

For the Year Ended September 30, 2019

The \$118,230.00 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending	
September 30, 2020	\$(153,841)
2021	\$(181,310)
2022	\$(128,510)
2023	\$(102,148)
2024	\$ (34,093)
Thereafter	\$ 0

Note 7 – Payables

On September 30, 2019, payables for the Commission's individual major funds and other governmental funds and fiduciary funds in the aggregate are as follows:

	Vendors	Due to Other Governments	Due to External Parties	Total Payables
<u>Governmental Activities:</u>				
General Fund	\$154,643.53	\$	\$	\$154,643.53
Gasoline Tax Fund	148,393.35	578,623.98		148,393.35
RRR Gasoline Tax Fund	36,997.03			36,997.03
Reappraisal Fund	2,269.64			2,269.64
Other Governmental Funds	13,925.24			13,925.24
Total Governmental Activities	356,228.79			356,228.79
<u>Business-Type Activities:</u>				
Solid Waste Fund	23,196.00			23,196.00
Total Business-Type Activities	23,196.00			23,196.00
<u>Fiduciary Activities:</u>				
Private Purpose-Trust Funds	9,071.32		22,638.47	31,709.79
Agency Funds		578,623.98	42,249.55	620,873.53
Total Fiduciary Activities	\$ 9,071.32	\$578,623.98	\$64,888.02	\$652,583.32

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 8 – Short-Term Debt

During the year, the Commission entered into short-term notes payable for general operations. Short-term debt activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable	\$	\$975,128.00	\$975,128.00	\$

Note 9 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$199,932.00 for governmental activities at September 30, 2019. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately on the statement of net position. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2020	\$ 47,413.20
2021	47,413.20
2022	15,726.32
Total Minimum Lease Payments	110,552.72
Less: Amount Representing Interest	(8,228.90)
Present Value of Net Minimum Lease Payments	<u>\$102,323.82</u>

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 10 – Long-Term Debt

On May 1, 2010, the Commission issued General Obligation Refunding Warrants with an interest rate ranging from 2.00% to 4.35% to provide funds for the refunding of the Series 1998 General Obligation Warrants.

On January 7, 2016, the Commission entered into a long-term note with West Alabama Bank and Trust for \$1,306,536.50 to provide funds for five motor graders.

On January 4, 2018, the Commission entered into a long-term note with First National Bank of Central Alabama for \$115,289.00 to provide funds for a Mack low boy tractor.

On February 1, 2018, the Commission entered into a capital lease with Bancorp South to provide financing for six sheriff vehicles.

On February 13, 2018, the Commission entered into a long-term note with First National Bank of Central Alabama for \$723,045.00 to provide funds for five Mack trucks.

On February 18, 2019, the Commission entered into a long-term note with BankFirst Financial for \$555,048.50 to provide funds for motor graders.

On March 7, 2019, the Commission entered into a long-term note with First National Bank of Central Alabama for \$715,990.00 to provide funds for five dump trucks.

On September 9, 2019, the Commission entered into a long-term note with West Alabama Bank and Trust for \$83,044.57 to provide funds for two sheriff office vehicles.

Notes to the Financial Statements

For the Year Ended September 30, 2019

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2019:

	Debt Outstanding 10/01/2018	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Due Within One Year
<u>Governmental Activities:</u>					
Warrants Payable:					
2010 General Obligation Refunding Warrant	\$1,715,000.00	\$	\$ (145,000.00)	\$1,570,000.00	\$ 150,000.00
Total Warrants Payable	1,715,000.00		(145,000.00)	1,570,000.00	150,000.00
<u>Other Liabilities:</u>					
Capital Lease	170,104.98		(67,781.16)	102,323.82	42,003.35
Notes Payable	1,271,057.49	1,354,083.07	(1,201,716.59)	1,423,423.97	989,157.72
Unamortized Discount	(8,269.23)		862.88	(7,406.35)	(862.88)
Compensated Absences	266,033.41	88,567.67		354,601.08	35,460.11
Landfill Post closure Care Costs	127,800.00		(14,200.00)	113,600.00	14,200.00
Net Pension Liability/(Asset)	552,203.00		(609,177.00)	(56,974.00)	
Total Other Liabilities	2,378,929.65	1,442,650.74	(1,892,011.87)	1,929,568.52	1,079,958.30
Total Governmental Activities	\$4,093,929.65	\$1,442,650.74	\$(2,037,011.87)	\$3,499,568.52	\$1,229,958.30

Payments on the Series 2010 General Obligation Refunding Warrant are made by a Debt Service Fund with property taxes. The capital lease payables will be liquidated by the General Fund. The notes payable will be liquidated by the General Fund and Gasoline Tax Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 56% has been paid by the General Fund, 39% by the Gasoline Tax Fund and 5% by the Reappraisal Fund.

Fiscal Year Ending	Governmental Activities						Total Principal and Interest Requirements to Maturity
	General Obligation Warrants Payable		Notes Payable		Capital Leases		
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2020	\$ 150,000.00	\$ 60,122.50	\$ 989,157.72	\$33,602.39	\$ 42,003.35	\$5,409.85	\$1,280,295.81
2021	155,000.00	54,555.00	153,071.55	13,866.24	44,806.00	2,607.20	423,905.99
2022	160,000.00	48,647.50	116,356.43	12,177.84	15,514.47	211.85	352,908.09
2023	165,000.00	42,390.00	116,356.43	12,177.84			335,924.27
2024	175,000.00	35,672.50	48,481.84	5,074.10			264,228.44
2025-2028	765,000.00	67,091.25					832,091.25
Total	\$1,570,000.00	\$308,478.75	\$1,423,423.97	\$76,898.41	\$102,323.82	\$8,228.90	\$3,489,353.85

Notes to the Financial Statements

For the Year Ended September 30, 2019

Bond Issuance Costs and Deferred Loss

The Commission has a discount in connection with the issuance of its 2010 General Obligation Warrants. The discount is being amortized over a period of 216 months using the straight-line method.

	Discount
Total Discount	\$15,531.80
Amount Amortized Prior Years	(7,262.57)
Balance Discount	8,269.23
Current Amount Amortized	(862.88)
Balance Discount	\$ 7,406.35

Pledged Revenues

The Commission issued General Obligation Warrants, Series 2010 for the purpose of refunding the General Obligation Warrants, Series 1998. The warrants are secured by a pledge of the proceeds received by the County from the Road and Bridge special ad valorem tax that is levied by the County pursuant to Section 215 of the ***Constitution of Alabama of 1901***. Future revenues of \$1,878,478.75 are pledged to repay the principal and interest on the bonds at September 30, 2019. However, pledged funds were not used to pay principal and interest on the warrants. The principal and interest payments in the amount of \$210,360.00 were made from proceeds of fees levied on license plates and license decals in accordance with Act Number 2003-132, Acts of Alabama, which provides for these fees and that the use of the fees is for the reduction of any General Fund debt of the county. The General Obligation Warrants, Series 2010, will mature in fiscal year 2028.

Note 11 – Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the Pickens County Commission place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liability for landfill postclosure care costs for the Commission's closed landfill at September 30, 2019, is \$113,600.00. The estimated liability is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of September 30, 2019. However, the actual cost of postclosure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 12 – Risk Management

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

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the Fund is calculated to adequately cover the anticipated losses and expense 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 based on a rate per \$100 of remuneration for each class of employee 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 has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 13 – Interfund Transactions

Interfund Receivables/Payables

Interfund Receivables/Payables at September 30, 2019, were as follows:

	Interfund Payables			Totals
	General Fund	Gasoline Tax Fund	Other Governmental Funds	
Interfund Receivables:				
General Fund	\$	\$80,666.80	\$79,229.98	\$159,896.78
Gasoline Tax Fund	416,504.47		3,370.00	419,874.47
Other Governmental Funds	2,525.00			2,525.00
Totals	<u>\$419,029.47</u>	<u>\$80,666.80</u>	<u>\$82,599.98</u>	<u>\$582,296.25</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2019, were as follows:

	Transfers Out		Total
	General Fund	Other Governmental Funds	
Transfers In:			
General Fund	\$	\$129,134.00	\$129,134.00
Gasoline Tax Fund		120,713.60	120,713.60
Other Governmental Funds	58,941.05	211,235.11	270,176.16
Totals	<u>\$58,941.05</u>	<u>\$461,082.71</u>	<u>\$520,023.76</u>

The Commission typically used transfers to fund ongoing operating subsidies.

Note 14 – Related Organizations

A majority of the Board members of the Pickens County Industrial Development Board, the Pickens County E-911 Board, the Pickens County Hospital Association Board, the Pickens County Board of Human Resources, the Pickens County Public Building Authority, the Pickens County Airport Authority, the Cooperative Library Board and the Water Sewer and Fire Protection Authority are appointed by the Pickens County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship for these agencies and these agencies are not considered part of the Commission's financial reporting entity. These agencies are considered related organizations of the County Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2019

Note 15 – Abatements

The Pickens County Commission is subject to tax abatements granted by the town of Aliceville. This government entered into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992 (*Code of Alabama 1975*, Section 40-9B-1-13). Under the Act, localities may grant property tax abatements for all state and local non-educational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Pickens County.

For fiscal year ended September 30, 2019, total property taxes abated were \$142,443.51 including the following tax abatement agreement that exceeded 10 percent of the total amount abated:

- ◆ A 94 percent property tax abatement to a business involved in timberland manufacturing business, for increasing the size of its facilities and increasing employment. The abatement amounted to \$133,221.79.

Note 16 – Subsequent Events

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of citizenry as well as employees. As a result of the pandemic, there was a substantial impact on the Pickens County Commission's revenues from several key sources. Pickens County Commission gasoline tax revenues decreased by \$126,660.35 in fiscal year 2020 as compared to the previous fiscal year. As expected, the Pickens County Commission incurred a significant increase in costs associated with the aftermath of COVID-19. These costs, in the amount of \$823,708.00, were reimbursed through the Coronavirus Relief Fund of the federal government during fiscal years 2020 and 2021. The Pickens County Commission's fiscal year 2021 budget, as approved by the county commission, provided for several reductions in anticipated revenues and estimated expenditures for many of the funds of the Commission as compared to the previous fiscal year. Due to the impact and severity of the COVID-19 pandemic, the Pickens County Commission anticipates that its financial operations will require assistance from further programs of the federal government.

Notes to the Financial Statements

For the Year Ended September 30, 2019

On January 1, 2020, the Commission voted to approve the refinancing of a loan for \$103,489.00, termed out for two years.

On February 11, 2020, the Commission approved the selling of five Mack dump trucks for \$765,000.00 and approved the financing of the purchase of five Mack dump trucks at 3.71% for \$744,165.00.

On June 23, 2020, the Commission approved the refinancing of \$697,920.83 for Mack dump trucks at 1.87% for 12 months.

On August 25, 2020, the Commission approved the purchase of five Mack dump trucks for \$765,880.00. On February 23, 2021, the Commission approved the financing of the Mack trucks at 0.89% for eighteen months interest payments.

On January 12, 2021, the Commission awarded the bid for a used Lowboy Trailer to Joey Martin Auctioneers for \$59,500.00.

On January 12, 2021, the Commission paid off the General Obligation Refunding Warrants Series 2010 of \$1,105,000.00 with a Promissory Note financed at 2.61%.

On February 22, 2022, the Commission awarded a bid to Central Alabama Asphalt for the Bains Road resurfacing project in the amount of \$405,620.00.

On April 26, 2022, the Commission approved financing with West Alabama Bank and Trust for a dump truck in the amount of \$765,880.00 at a rate of 2.95%.

On May 5, 2022, the Commission approved the purchase of five motor graders in the amount of \$1,362,755.00 through the ACCA Joint Bid Program.

Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2019

	2018	2017	2016	2015	2014
<u>Total pension liability</u>					
Service cost	\$ 246,362	\$ 249,482	\$ 245,335	\$ 239,587	\$ 231,607
Interest	556,555	522,436	493,521	500,607	477,200
Differences between expected and actual experience	(499,526)	39,118	5,389	(433,830)	
Changes of assumptions	39,228		200,021		
Benefit payments, including refunds of employee contributions	(390,121)	(346,966)	(384,081)	(405,795)	(426,640)
Transfers among employers	18,603	(2,247)	(6,650)		
Net change in total pension liability	(28,899)	461,823	553,535	(99,431)	282,167
Total pension liability - beginning	7,376,412	6,914,589	6,361,054	6,460,485	6,178,318
Total pension liability - ending (a)	<u>\$ 7,347,513</u>	<u>\$ 7,376,412</u>	<u>\$ 6,914,589</u>	<u>\$ 6,361,054</u>	<u>\$ 6,460,485</u>
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 121,108	\$ 140,153	\$ 193,794	\$ 157,618	\$ 180,002
Contributions - employee	201,394	185,958	158,864	144,600	153,009
Net investment income	629,294	775,908	562,929	65,883	605,238
Benefit payments, including refunds of employee contributions	(390,121)	(346,966)	(384,081)	(405,795)	(426,640)
Transfers among employers	18,603	(2,247)	(6,650)	(41,553)	46,267
Net change in plan fiduciary net position	580,278	752,806	524,856	(79,247)	557,875
Plan fiduciary net position - beginning	6,824,209	6,071,403	5,546,547	5,625,794	5,067,919
Plan fiduciary net position - ending (b)	<u>\$ 7,404,487</u>	<u>\$ 6,824,209</u>	<u>\$ 6,071,403</u>	<u>\$ 5,546,547</u>	<u>\$ 5,625,794</u>
Commission's net pension liability (asset) - ending (a) - (b)	\$ (56,974)	\$ 552,203	\$ 843,186	\$ 814,507	\$ 834,691
Plan fiduciary net position as a percentage of the total pension liability	100.78%	92.51%	87.81%	87.20%	87.08%
Covered payroll (*)	\$ 3,150,967	\$ 3,334,737	\$ 3,426,325	\$ 2,353,652	\$ 3,187,673
Commission's net pension liability (asset) as a percentage of covered payroll	-1.81%	16.56%	24.61%	34.61%	26.18%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for fiscal year 2017.

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

Schedule of the Employer's Contributions
For the Year Ended September 30, 2019

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 118,230	\$ 121,108	\$ 140,153	\$ 193,794	\$ 157,618	\$ 180,002
Contributions in relation to the actuarially determined contribution (*)	\$ 118,230	\$ 121,108	\$ 140,153	\$ 193,794	\$ 157,618	\$ 180,002
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 3,187,673	\$ 3,150,967	\$ 3,334,737	\$ 3,426,325	\$ 2,353,652	\$ 3,187,673
Contributions as a percentage of covered payroll	3.71%	3.84%	4.20%	7.69%	6.81%	6.93%

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

(**) Employer's covered payroll for fiscal year 2019 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	19.6 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Taxes	\$ 1,941,143.00	\$ 1,941,143.00	\$ 2,079,055.26	(1) (3)	\$ 424,274.09	\$ 2,503,329.35
Licenses and Permits	30,280.00	30,280.00	30,153.26			30,153.26
Intergovernmental	638,992.00	638,992.00	800,453.94	(3)	23,701.15	824,155.09
Charges for Services	918,790.00	918,790.00	665,849.33	(3)		665,849.33
Miscellaneous	101,685.00	101,685.00	55,245.57	(3)	212.04	55,457.61
Total Revenues	3,630,890.00	3,630,890.00	3,630,757.36		448,187.28	4,078,944.64
<u>Expenditures</u>						
Current:						
General Government	1,937,031.00	1,937,031.00	1,264,700.45	(2)	(55,302.09)	1,320,002.54
Public Safety	2,341,310.00	2,341,310.00	2,487,874.98			2,487,874.98
Health			13,412.65			13,412.65
Welfare	23,000.00	23,000.00	21,500.00			21,500.00
Culture and Recreation	30,000.00	30,000.00	75,434.69			75,434.69
Education	8,298.00	8,298.00	8,298.00			8,298.00
Capital Outlay	16,800.00	16,800.00	109,813.00			109,813.00
Debt Services:						
Principal Retirement	45,429.00	45,429.00	72,588.32			72,588.32
Interest and Fiscal Charges	9,667.00	9,667.00	9,742.97			9,742.97
Total Expenditures	4,411,535.00	4,411,535.00	4,063,365.06		(55,302.09)	4,118,667.15
Excess (Deficiency) of Revenues Over Expenditures	(780,645.00)	(780,645.00)	(432,607.70)		392,885.19	(39,722.51)
<u>Other Financing Sources (Uses)</u>						
Transfers In	753,324.00	753,324.00	129,134.00			129,134.00
Sale of Capital Assets			5,000.00			5,000.00
Proceed of Long-Term Debt			83,044.57			83,044.57
Transfers Out	(57,339.00)	(57,339.00)	(697,698.05)	(4)	638,757.00	(58,941.05)
Total Other Financing Sources (Uses)	695,985.00	695,985.00	(480,519.48)		638,757.00	158,237.52
Net Change in Fund Balances	(84,660.00)	(84,660.00)	(913,127.18)	(5)	1,031,642.19	118,515.01
Fund Balances - Beginning of Year	84,660.00	84,660.00	(711,350.65)		385,435.24	(325,915.41)
Fund Balances - End of Year	\$	\$	\$ (1,624,477.83)		\$ 1,417,077.43	\$ (207,400.40)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2019

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

(1) The Commission budgets for motor vehicle ad valorem tax as it is collected, rather than on the modified accrual basis (GAAP).			\$	(76,659.30)
(2) The Commission budgets for salaries only to the extent they are expected to be paid in the current fiscal period, rather than on the Modified accrual basis (GAAP).				(55,302.09)
Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.				
(3) Revenues				
Judge of Probate Special Index Fee Fund			\$	44.05
Public Buildings, Roads and Bridges Fund				524,802.53
				<u>524,846.58</u>
(4) Other Financing Sources				
Public Buildings, Roads and Bridges Fund				<u>638,757.00</u>
Net Change in Fund Balance - Budget to GAAP			\$	<u><u>1,031,642.19</u></u>
(5) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.				

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Intergovernmental	\$ 1,008,238.00	\$ 1,008,238.00	\$ 4,597,547.51		\$	\$ 4,597,547.51
Charges for Services	80,000.00	80,000.00	89,650.00			89,650.00
Miscellaneous	173,333.00	173,333.00	456,074.80			456,074.80
Total Revenues	1,261,571.00	1,261,571.00	5,143,272.31			5,143,272.31
Expenditures						
Current:						
Highways and Roads	3,238,041.00	3,238,041.00	1,189,081.16	(1)	(17,945.43)	1,207,026.59
Capital Outlay			4,636,424.60			4,636,424.60
Debt Service:						
Principal Retirement	161,986.00	161,986.00	1,196,909.43			1,196,909.43
Interest and Fiscal Charges	11,636.00	11,636.00	49,688.14			49,688.14
Total Expenditures	3,411,663.00	3,411,663.00	7,072,103.33		(17,945.43)	7,090,048.76
Excess (Deficiency) of Revenues Over Expenditures	(2,150,092.00)	(2,150,092.00)	(1,928,831.02)		(17,945.43)	(1,946,776.45)
Other Financing Sources (Uses)						
Transfers In	114,431.00	114,431.00	120,713.60			120,713.60
Proceeds from Sale of Capital Assets	1,500,000.00	1,500,000.00	1,511,625.72			1,511,625.72
Proceeds from Debt Transaction	650,000.00	650,000.00	1,271,038.50			1,271,038.50
Total Other Financing Sources (Uses)	2,264,431.00	2,264,431.00	2,903,377.82			2,903,377.82
Net Change in Fund Balances	114,339.00	114,339.00	974,546.80	(2)	(17,945.43)	956,601.37
Fund Balances - Beginning of Year			(635,515.41)			(635,515.41)
Fund Balances - End of Year	\$ 114,339.00	\$ 114,339.00	\$ 339,031.39		\$ (17,945.43)	\$ 321,085.96

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2019

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

- | | |
|---|------------------------------|
| (1) The Commission budgets for salaries only to the extent they are expected to be paid in the current fiscal period, rather than on the modified accrual basis (GAAP). | <u>\$ (17,945.43)</u> |
| Net Change in Fund Balance - Budget to GAAP | <u><u>\$ (17,945.43)</u></u> |
|
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above. | |

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RRR Gasoline Tax Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Intergovernmental	\$ 1,061,535.00	\$ 1,061,535.00	\$ 831,548.56	(1)	\$ 297,044.50	\$ 1,128,593.06
Miscellaneous	180.00	180.00	22.25		468.77	491.02
Total Revenues	1,061,715.00	1,061,715.00	831,570.81		297,513.27	1,129,084.08
Expenditures						
Current:						
Highways and Roads	1,295,890.00	1,295,890.00	1,301,397.70			1,301,397.70
Total Expenditures	1,295,890.00	1,295,890.00	1,301,397.70			1,301,397.70
Excess (Deficiency) of Revenues Over Expenditures	(234,175.00)	(234,175.00)	(469,826.89)		297,513.27	(172,313.62)
Other Financing Sources (Uses)						
Transfers In	248,875.00	248,875.00	495,000.00	(2)	(495,000.00)	
Total Other Financing Sources (Uses)	248,875.00	248,875.00	495,000.00		(495,000.00)	
Net Change in Fund Balances	14,700.00	14,700.00	25,173.11	(3)	(197,486.73)	(172,313.62)
Fund Balances - Beginning of Year			(393,010.26)		1,170,844.28	777,834.02
Fund Balances - End of Year	\$ 14,700.00	\$ 14,700.00	\$ (367,837.15)		\$ 973,357.55	\$ 605,520.40

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

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

(1) Revenues	
Secondary Road Fund	\$ 297,513.27
(2) Other Financing Sources	
Secondary Road Fund	(495,000.00)
Net Change in Fund Balance - Budget to GAAP	\$ (197,486.73)

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Taxes	\$ 411,673.00	\$ 411,673.00	\$ 414,098.49		\$	\$ 414,098.49
Miscellaneous	255.00	255.00	5,437.59			5,437.59
Total Revenues	411,928.00	411,928.00	419,536.08			419,536.08
Expenditures						
Current:						
General Government	411,928.00	411,928.00	396,794.63	(1)	(7,741.45)	404,536.08
Capital Outlay			15,000.00			15,000.00
Total Expenditures	411,928.00	411,928.00	411,794.63		(7,741.45)	419,536.08
Excess (Deficiency) of Revenues Over Expenditures			7,741.45		(7,741.45)	
Net Change in Fund Balances			7,741.45	(2)	(7,741.45)	
Fund Balances - Beginning of Year						
Fund Balances - End of Year	\$	\$	\$ 7,741.45		\$ (7,741.45)	\$

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

- (1) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.

\$ (7,741.45)

Net Change in Fund Balance - Budget to GAAP

\$ (7,741.45)

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

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Additional Information

Commission Members and Administrative Personnel
October 1, 2018 through September 30, 2019

Commission Members		Term Expires
Hon. Bobby Bain	Chairman (April-September 2019)	2022
Hon. Bobby Ingram	Member	2022
Hon. Frederick Kennedy	Member	2018
Hon. Drew Elmore	Member	2022
Hon. Jerry Fitch	Member	2022
Hon. Mary Gray	Chairman (November 2018-March 2019)	2022
Hon. Randy Dillard	Chairman (October-November 2018)	2018
<u>Administrative Personnel</u>		
Ms. Cheryl Bowles	Administrator	Indefinite

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

Independent Auditor's Report

Members of the Pickens County Commission and County Administrator
Carrollton, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pickens County Commission (the "Commission") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated July 11, 2022. Our report is unmodified for the General Fund, Gasoline Tax Fund, RRR Gasoline Tax Fund, Reappraisal Fund, Aggregate Remaining Fund Information and Business-Type Activities. However, we issued a qualified report for the Governmental Activities because the Commission did not record its Other Postemployment Benefit (OPEB) liability and related amounts.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we did identify certain deficiencies in internal control that we consider to be a material weakness. We consider the deficiencies described below as Findings 2019-003, 2019-004, 2019-005 and 2019-006 to be material weaknesses.

Finding 2019-003

The Governmental Accounting Standards Board (GASB) establishes financial reporting principles for State and Local Governments. GASB Statement Number 75 – ***Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*** established new financial reporting requirements for governmental entities that provide other postemployment benefits (OPEB) to its employees and retirees and require the Commission to record an OPEB liability, which is required to be determined through an actuarial valuation. Each year, as part of the budget process, the Commission approves the amount that it will pay to provide health insurance for retirees; however, procedures were not in place to ensure an actuarial valuation was prepared as required by GASB Statement Number 75. Consequently, it was not possible to determine the amount that should have been reported as OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB on the Statement of Net Position for Governmental Activities at September 30, 2019. Also, the amounts by which revenues, expenditures, and net position would be affected could not be determined.

Recommendation

Controls should be implemented to ensure an actuarial valuation for the Commission's OPEB Plan is obtained and all related amounts are properly included in the financial statements.

Views of Responsible Officials

The Commission agrees with the finding.

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

Finding 2019-004

The *Code of Alabama 1975*, Sections 11-3-11(a)(3) and (4), give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to accurately record cash in the financial records. The Commission did not reconcile bank account balances to the cash recorded on the financial statements. Internal controls were not in place to ensure bank accounts were reconciled. As a result, cash in the Gasoline Tax Fund was overstated by \$121,458.75; cash in the Accounts Payable Clearing Fund was overstated by \$440,301.83; and cash in the Payroll Clearing Fund was overstated by \$25,631.38. Management made adjustments to correct the errors noted once brought to their attention.

Recommendation

The Commission should implement internal controls to ensure bank accounts are reconciled to cash reported in the accounting records.

Views of Responsible Officials

The Commission agrees with the finding.

Finding 2019-005

The Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Section 1500.108, states that "short-term obligations are those that are scheduled to mature within one year after the date of a government's financial statements. Long-term obligations are those scheduled to mature beyond one year from the date of a government's financial statements." The Pickens County Commission's financial statements were materially misstated due to long-term obligations being improperly classified as short-term debt. The Commission recorded debt that matured two to three years after the date of the financial statements as short-term debt. As a result, short-term notes payable recorded on the financial statements were misstated by \$410,299.50. Management made adjustments to correct the errors noted once brought to their attention.

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

Recommendation

The Commission should ensure debt amounts recorded on the financial statements are classified correctly.

Views of Responsible Officials

The Commission agrees with the finding.

Finding 2019-006

The Governmental Accounting Standards Board's ***Codification of Governmental Accounting and Financial Reporting Standards***, Section 1300.122, gives the Commission direction regarding the proper accounting for interfund transactions within the entity. Therefore, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to reconcile interfund activities shown in the Commission's accounting records regularly. The Pickens County Commission failed to reconcile the interfund activities shown in the Commission's accounting records accurately and in a timely manner. The Commission did not have policies and procedures in place to ensure that interfund activities were reconciled timely and/or accurately. As a result, the Commission's interfund receivables were overstated by \$1,283,281.36 and interfund payables were overstated by \$1,257,653.88. Management made adjustments to correct the errors noted once brought to their attention.

Recommendation

The Commission should establish and implement policies and procedures to ensure that interfund activities are reconciled timely and accurately.

Views of Responsible Officials

The Commission agrees with the finding.

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

Compliance and Other Matters

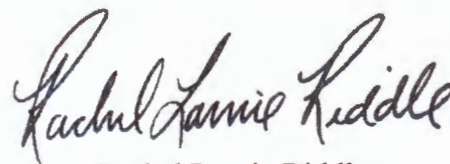
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 and other matters that are required to be reported under ***Government Auditing Standards***. However, we noted certain matters that we have reported to the management of the Commission in the Schedule of State and Local Compliance and Other Findings.

Pickens County Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying Auditee Response. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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

July 11, 2022

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Auditee Response

Commissioners

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Bobby L. Ingram
Charles "Drew" Elmore
Jerry T. Fitch
Mark Gray

PICKENS COUNTY COMMISSION



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Auditee Response

For the Year Ended September 30, 2019

As required by the governmental auditing standards, the Pickens County Commission has prepared and hereby submits the following Auditee Response for the findings which are included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters for the year ended September 30, 2019.

**Finding
Ref.
No.**

Corrective Action Plan Details

2019-003

Finding:

The Governmental Accounting Standards Board (GASB) establishes financial reporting principles for State and Local Governments. GASB Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions established new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees and require the Commission to record an OPEB liability, which is required to be determined through an actuarial valuation. Each year, as part of the budget process, the Commission approves the amount that it will pay to provide health insurance for retirees; however, procedures were not in place to ensure an actuarial valuation was prepared as required by GASB Statement Number 75. Consequently, it was not possible to determine the amount that should have been reported as OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB on the Statement of Net Position for Governmental Activities at September 30, 2019. Also, the amounts by which revenues, expenditures, and net position would be affected could not be determined.

Recommendation:

Controls should be implemented to ensure an actuarial valuation for the Commission's OPEB Plan is obtained and all related amounts are properly included in the financial statements.

Response/Views: The Commission agrees with the finding, however, the Commission has a policy to pay retirees' insurance premiums for up to a maximum of three years or age 65, whichever is reached first. Since so few qualified retirees participate and the benefit is not ongoing indefinitely, the Commission did not consider this a material expenditure.

Corrective Action Planned: An actuarial valuation is being performed for fiscal year 2020.

Anticipated Completion Date: The date of completion is unknown.

Contact Person(s): Please contact the County Administrator with questions.

2019-004

Finding:

The Code of Alabama 1975, Sections 11-3-11(a)(3) and (4), give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to accurately record cash in the financial records. The Commission did not reconcile bank account balances to the cash recorded on the financial statements. Internal controls were not in place to ensure bank accounts were reconciled. As a result, cash in the Gasoline Tax Fund was overstated by \$121,458.75; cash in the Accounts Payable Clearing Fund was overstated by \$440,301.83; and cash in the Payroll Clearing Fund was overstated by \$25,631.38. Management made adjustments to correct the errors noted once brought to their attention.

Recommendation:

The Pickens County Commission should implement internal controls to ensure bank accounts are reconciled to cash reported in the accounting records.

Response/Views: The Commission agrees with the finding, however, the overstatement in the Gasoline Tax Fund resulted from a posting error. The amount should have been reflected in a "due from" account, but was instead coded in a "cash clearing" account. The other two account reconciliations were out of balance with the general ledger totals primarily due to a software problem within the reconciliation program function that management had not been informed about.

Corrective Action Planned: These issues have been resolved.

Anticipated Completion Date: These issues have been resolved.

Contact Person(s): Please contact the County Administrator with questions.

2019-005

Finding:

The Governmental Accounting Standards Board's ***Codification of Governmental Accounting and Financial Reporting Standards***, Section 1500.108 states that "short-term obligations are those that are scheduled to mature within one year after the date of a government's financial statements. Long-term obligations are those scheduled to mature beyond one year from the date of a government's financial statements." The Pickens County Commission's financial statements were materially misstated due to long-term obligations being improperly classified as short-term debt. The Commission recorded debt that matured two to three years after the date of the financial statements as short-term debt. As a results, short-term notes payable recorded on the financial statements were misstated by \$410,299.50. Management made adjustments to correct the errors noted once brought to their attention.

Recommendation:

The Pickens County Commission should ensure debt amounts recorded on the financial statements are classified correctly.

Response/Views: We agree with the finding.

Corrective Action Planned: This issue has been resolved.

Anticipated Completion Date: This issue has been resolved.

Contact Person(s): Please contact the County Administrator with questions.

2019-006

Finding:

The Governmental Accounting Standards Board's ***Codification of Governmental Accounting and Financial Reporting Standards***, Section 1300.122, gives the Commission direction regarding the proper accounting for interfund transactions within the entity. Therefore, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to reconcile interfund activities shown in the Commission's accounting records regularly. The Pickens County Commission failed to reconcile the interfund activities shown in the Commission's accounting records accurately and in a timely manner. The Commission did not have policies and procedures in place to ensure that interfund activities were reconciled timely and/or accurately. As a result, the Commission's interfund receivables were overstated by \$1,283,281.36 and interfund payables were overstated by \$1,257,653.88. Management made adjustments to correct the errors noted once brought to their attention

Recommendation:

The Commission should establish and implement policies and procedures to ensure that interfund activities are reconciled timely and accurately.

Response/Views: We agree with the finding.

Corrective Action Planned: This issue has been resolved.

Anticipated Completion Date: This issue has been resolved.

Contact Person(s): Please contact the County Administrator with questions.

Other matters came to our attention while performing our audit that are not included in the Schedule of Findings and Questioned Costs. These matters will be addressed in the Schedule of State and Local Compliance and Other Findings and are included as findings below.

Finding Ref. No.	Corrective Action Plan Details
2019-001	<p>Finding:</p> <p>The Internal Revenue Service (IRS) Publication 15-A defines employees and independent contractors and provides information to aid in properly identifying each. An individual was classified and paid as an independent contractor by the Pickens County Commission with no contract (written or otherwise) in place between Pickens County and the individual. The individual was paid hourly, submitted a weekly timesheet, used the County's equipment, received instructions directly from a supervisor who was a county employee and was paid through the accounts payable process on a weekly basis. The Commission did not have procedures in place to determine whether an individual performing work for the Commission was properly classified as an employee or an independent contractor. Further, the Commission did not have procedures in place to ensure that a contract was executed between the Commission and the independent contractor. As a result, the Commission appears to have not followed IRS requirements when classifying the employee as an independent contractor, which may have resulted in improper withholdings.</p> <p>Recommendation:</p> <p>The Commission should ensure that individuals performing work are properly classified as employee or independent contractor and that contracts are properly executed, when necessary, for individuals classified as independent contractors.</p> <p>Response/Views: We agree with the finding.</p> <p>Corrective Action Planned: This issue has been resolved and we intend to require signed contracts for contractors.</p> <p>Anticipated Completion Date: This issue has been resolved.</p>

Contact Person(s): Please contact the County Administrator with questions.

2019-002

Finding:

The ***Code of Alabama*** 1975, Section 11-8-10, provides no warrant or order for the payment of money shall be issued under authority of the county commission until funds are available for payment. The Commission expended more in the General Fund than it had in available resources resulting in a deficit fund balance of \$207,400.40. Procedures were not in place to ensure the availability of funds prior to disbursements. As a result, the Commission failed to comply with the ***Code of Alabama*** 1975, Section 11-8-10, and expended more funds than were available for payment.

Recommendation:

The Commission should ensure compliance with all aspects of the ***Code of Alabama*** 1975, Section 11-8-10.

Response/Views: We agree with the finding.

Corrective Action Planned: We continue to practice corrective measures to reduce and/or eliminate any deficits.

Anticipated Completion Date: Monitoring fund balances is an ongoing process.

Contact Person(s): Please contact the County Administrator with questions.


Administrator, Pickens County Commission