

Report on the

# Cleburne County Commission

Cleburne County, Alabama

October 1, 2016 through September 30, 2017

Filed: March 8, 2019



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





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

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Rachel Laurie Riddle  
*Chief Examiner*

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

Dear Madam:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, I submit this report on the results of the audit of the Cleburne County Commission, Cleburne County, Alabama, for the period October 1, 2016 through September 30, 2017.

Sworn to and subscribed before me this  
the 22<sup>nd</sup> day of January, 20 19.

  
\_\_\_\_\_  
Notary Public

Respectfully submitted,



Brittany Parker  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Cleburne County Commission  
October 1, 2016 through September 30, 2017**

The Cleburne County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Cleburne County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 15. 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 Cleburne 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, as added by Act Number 2018-129.

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2017.

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

Commission members and administrative personnel, as reflected on Exhibit 15, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Ryan Robertson, Ex-Officio Chairman; and Terry Hendrix, Commission member. Also in attendance were representatives from the Department of Examiners of Accounts: Gwyn M. Griggs, Audit Manager and Brittany Parker, Examiner of Public Accounts. The results of the audit were discussed with Steve Swafford, County Administrator by telephone.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of Cleburne County Commission and County Administrator  
Heflin, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleburne County Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements which collectively comprise the Cleburne County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

### **Management's Responsibility for the Financial Statements**

The management of the Cleburne 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 from 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making these 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleburne County Commission, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

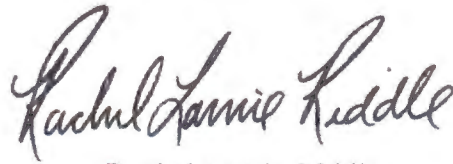
**Other Matters**

*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 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 9 through 14) 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 11, 2019, on our consideration of the Cleburne County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cleburne 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 Cleburne County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

January 11, 2019

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

**CLEBURNE COUNTY COMMISSION**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ended September 30, 2017**

**INTRODUCTION**

The Cleburne County Commission's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended September 30, 2017. In order to look at the County's financial performance as a whole, readers should review the financial statements along with the notes to the financial statements to enhance their understanding.

**FINANCIAL HIGHLIGHTS**

Items to note that occurred during the fiscal year include the following:

- Total funds spent on capital outlays for governmental entities were \$786,826.22, which included a copier and two vehicles for the Sheriff's Department, a body cooler for the morgue, and a copier for the Engineer's Office. The County Engineer's Department also purchased county road rights of way and continued the progression of the county bridge projects. For governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the 2017 fiscal year by \$15,340,565.96. This is a decrease in net position of \$1,417,796.96 from FY 2016, which is directly related to the erroneously coded road and bridge repairs as capital assets, causing a restatement of net position. Of the net position for fiscal year 2017, \$11,851,912.22 is net investment in capital assets and reduced by the balance of outstanding debt. The remainder of the excess restricted for debt is \$60,596.58, restricted for road projects is \$1,169,262.55, restricted for capital projects is \$8,143.16 and restricted for other purposes is \$190,564.82, leaving an unrestricted balance of \$2,060,086.63.

**BASIC FINANCIAL STATEMENTS**

The basic financial statements include the following: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Below is a brief discussion of the basic financial statements, which distinguishes the relationships and differences between the statements.

**Government-wide Financial Statements** consists of a Statement of Net Position and a Statement of Activities. The Statement of Net Position is similar to a balance sheet, which shows assets plus deferred outflows of resources minus liabilities and deferred inflows of resources equaling net position. Net position reported in this statement shows the changes in net position for the current year. The Statement of Activities is similar to an income statement, which shows expenses first, then revenues offsetting the expenses for the fiscal year. Expenses are shown by function, and revenues are classified as program revenues-operating grants, program revenues-capital grants, and general revenues. Program revenues are listed at the top of the statement of activities, and general revenues, such as taxes, are listed at the bottom of the statement of activities.



These two statements report the county's financial position on the accrual basis of accounting. Also, capital assets are being depreciated. The emphasis is on the county's overall financial position and activities as a whole. The statements exclude fiduciary activities that the county only holds as trustee.

**Fund Financial Statements** provide detailed information about the commission grouped by funds. Separate fund statements are reported in two categories: (1) governmental funds and (2) fiduciary funds. Some funds are established by law, bond covenants, or kept separate because of grants in order to properly monitor funds. The separate fund statements are summarized as follows:

- Governmental Fund Statements separate information by major funds. The General Fund is always a major fund. Cleburne County Commission has four major funds for fiscal year 2017, which always includes the General Fund. The other funds are Gasoline Tax Fund, Revenue Commissioner's Operational Fund, and RRR Gasoline Tax Fund. All other non-major funds are grouped together into a final column as Other Governmental Funds. Each year the county will have to re-evaluate each fund to see if it is still a major fund or if another fund becomes a major fund. Governmental fund statements report a short-term view of the Commission's general government operations and the basic services it provides.
- Fiduciary Fund Statements include funds not used by the Commission, but held by the Commission as a trustee for individuals, organizations, or other governments. Fiduciary Fund statements focus on net position and the changes in net position. Cleburne County Commission has both Private-Purpose Trust Funds and Agency Funds.

Fund statements provide a more detailed but short-term view of the Commission; whereas, government-wide statements provide information about the Commission as a whole but at a long-term view. Also, fund statements are based on the modified accrual approach, which measures cash and all other financial assets that can readily be converted to cash. Government-wide statements are based on the accrual basis similar to private companies, and all revenues and all expenses are accounted for regardless of when cash is received or paid.

## **COMMISSION'S OVERALL FINANCIAL POSITION**

Below is a condensed version of the government-wide financial statements along with a brief analysis of the Commission's overall financial position. Net position can help in assessing how well a government is doing financially. Increases or decreases in net position over time can indicate whether a government is improving or not improving. The E-911 fund was previously reported as a proprietary fund, but it transitioned onto the Fiduciary Fund Statements on June 1, 2016, after the Commission instituted an Emergency Communications District Board to oversee the services.

**Condensed Statement of Net Position**  
**For**  
**Governmental Activities**  
As of September 30, 2017

	2017	2016	\$ Change
Current Assets	5,557,970.06	5,891,006.91	(333,036.85)
Noncurrent Assets	71,748.58	71,244.80	503.78
Capital Assets, net depreciation	13,142,554.40	14,823,615.44	(1,681,061.04)
Total Assets	18,772,273.04	20,785,867.15	(2,013,594.11)
Deferred Outflows of Resources			
Loss on Early Extinguishment of Debt *	108,329.44	124,995.51	(16,666.07)
Related to Defined Benefit Pension Plan	529,791.05	315,703.50	214,087.55
Total Deferred Outflows of Resources *	638,120.49	440,699.01	197,421.48
Current Liabilities	640,359.67	663,746.67	(23,387.00)
Estimated Liability – Pollution Remediation		107,000.00	(107,000.00)
Noncurrent Liabilities	2,097,298.56	2,429,503.92	(332,205.36)
Estimated Liability – Pollution Remediation	103,957.50	64,895.89	39,061.61
Total Liabilities	2,841,615.73	3,265,146.48	(423,530.75)
Deferred Inflows of Resources			
Unavailable Revenue – Property Taxes *	1,149,263.92	1,120,410.40	28,853.52
Unearned Revenue – Motor Vehicle Taxes *	67,096.66	68,238.23	(1,141.57)
Related to Defined Benefit Plan	11,851.26	14,408.13	(2,556.87)
Total Deferred Inflows of Resources	1,228,211.84	1,203,056.76	25,155.08
Net Position:			
Net Investment in Capital Assets	11,851,912.22	13,143,574.91	(1,291,662.69)
Restricted for Debt Service	60,596.58	58,902.63	1,693.95
Restricted for Road Projects	1,169,262.55	1,096,474.75	72,787.80
Restricted for Capital Projects	8,143.16	9,599.84	(1,456.68)
Restricted for Other Purposes	190,564.82	159,407.52	31,157.30
Unrestricted	2,060,086.63	2,290,403.27	(230,316.64)
Total Net Position	15,340,565.96	16,758,362.92	(1,417,796.96)

\* - GASB No. 65, *Items Previously Reported as Assets and Liabilities*, (GASB 65) established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses/expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

The 2016 numbers above are as previously reported and not as restated as described below. (See also Note 13).

The Commission's total assets exceeded liabilities by \$15,340,565.96. This is a net decrease in net position of \$1,417,796.96 from FY 2016. Also, total capital assets less depreciation totaled \$13,142,554.40. This is a decrease of \$1,681,061.04 from FY16. The decrease is directly related to the erroneously coded road and bridge repairs as capital assets, causing a restatement of net position. Total net position includes \$11,851,912.22 net investment in capital assets, \$1,428,567.11 in restricted net position, leaving \$2,060,086.63 in unrestricted net position.

**Condensed Statement of Activities  
for Governmental Activities  
As of September 30, 2017**

	2017	2016	\$ Change
Expenses			
General Government	1,930,955.72	1,843,271.76	87,683.96
Public Safety	2,279,805.04	2,206,738.02	73,067.02
Highways & Roads	2,243,395.72	1,704,782.56	538,613.16
Sanitation	130,814.02	120,065.57	10,748.45
Welfare	67,071.34	66,141.50	929.84
Culture/Recreation	48,504.22	48,504.22	0.00
Education	81,114.54	136,556.95	(55,442.41)
Interest on Long-Term Debt	61,651.30	50,745.73	10,905.57
Total Expenses	6,843,311.90	6,176,806.31	666,505.59
Revenues			
Program Revenues			
Charges for Services	852,230.52	1,004,313.42	(152,082.90)
Operating Grants and Contributions	2,463,603.61	2,487,896.45	(24,292.84)
Capital Grants and Contributions	278,596.64	2,834,061.28	(2,555,464.64)
Total Program Revenues	3,594,430.77	6,326,271.15	(2,731,840.38)
			0.00
Net Expenses & Program Revenues	(3,248,881.13)	149,464.84	(3,398,345.97)
General Revenues:			
Property Taxes-General	604,398.26	607,395.16	(2,996.90)
Property Taxes-Specific	713,939.38	712,817.88	1,121.50
Sales Tax	882,536.25	785,092.27	97,443.98
Other County Sales & Use Taxes	270,585.29	278,959.02	(8,373.73)
Miscellaneous Taxes	31,208.42	43,818.49	(12,610.07)
Other Grants & Contributions – Not Restricted	236,120.24	333,920.80	(97,800.56)
Donations of Assets			0.00
Miscellaneous	778,367.35	651,786.07	126,581.28
Investment Income	8,873.72	8,447.44	426.28
Transfers		(92,799.49)	92,799.49
Gain on Disposal of Assets	53,639.41	61,418.61	(7,779.20)
Total General Revenues and Transfers	3,579,668.32	3,390,856.25	188,812.07
			0.00
Increase / Decrease in Net Position	330,787.19	3,540,321.09	(3,209,533.90)
			0.00
Net Position-Beginning of year	15,009,778.77	13,218,041.83	1,791,736.94
Net Position – End of Year	15,340,565.96	16,758,362.92	(1,417,796.96)

The 2016 numbers above are as previously reported and not as restated. (See Note 13).

**Condensed Statement of Activities  
for Business-Type Activities  
As of September 30, 2017**

	2017	2016	\$ Change
Expenses			
E-911		274,149.15	(274,149.15)
Total Expenses		274,149.15	(274,149.15)
Revenues			
Program Revenues			
Charges for Services		240,520.75	(240,520.75)
Total Program Revenues		240,520.75	(240,520.75)
Net Expenses & Program Revenues		(33,628.40)	33,628.40
General Revenues:			
Miscellaneous		30.00	(30.00)
Interest Earned		176.15	(176.15)
Transfers		92,799.49	(92,799.49)
Extraordinary Item – Create E911 Board		(404,086.03)	404,086.03
Total General Revenues		(311,080.39)	311,080.39
Increase/Decrease in Net Position		(344,708.79)	344,708.79
Net Position-Beginning of year		344,708.79	(344,708.79)
Net Position-End of year			

**Condensed Statement of Activities**  
**For**  
**Total Governmental & Business-Type Activities**  
As of September 30, 2017

	2017	2016	\$ Change
Expenses			
General Government	1,930,955.72	1,843,271.76	87,683.96
Public Safety	2,279,805.04	2,206,738.02	73,067.02
Highways & Roads	2,243,395.72	1,704,782.56	538,613.16
Sanitation	130,814.02	120,065.57	10,748.45
Welfare	67,071.34	66,141.50	929.84
Culture/Recreation	48,504.22	48,504.22	
Education	81,114.54	136,556.95	(55,442.41)
Interest on Long-Term Debt	61,651.30	50,745.73	10,905.57
E-911	.	274,149.15	(274,149.15)
Total Expenses	6,843,311.90	6,450,955.46	392,356.44
Revenues			
Program Revenues			
Charges for Services	852,230.52	1,244,834.17	(392,603.65)
Operating Grants and Contributions	2,463,603.61	2,487,896.45	(24,292.84)
Capital Grants and Contributions	278,596.64	2,834,061.28	(2,555,464.64)
Total Program Revenues	3,594,430.77	6,566,791.90	(2,972,361.13)
Net Expenses & Program Revenues	(3,248,881.13)	115,836.44	(3,364,717.57)
General Revenues:			
Property Taxes-General	604,398.26	607,395.16	(2,996.90)
Property Taxes-Specific	713,939.38	712,817.88	1,121.50
Sales Tax	882,536.25	785,092.27	97,443.98
Other County Sales & Use Taxes	270,585.29	278,959.02	(8,373.73)
Miscellaneous Taxes	31,208.42	43,818.49	(12,610.07)
Other Grants & Contributions – Not Restricted	236,120.24	333,920.80	(97,800.56)
Donations of Capital Assets			
Miscellaneous	778,367.35	651,816.07	126,551.28
Investment Income	8,873.72	8,447.44	426.28
Interest Earned		176.15	(176.15)
Gain on Disposition of Assets	53,639.41	61,418.61	(7,779.20)
Extraordinary Item – Create E911 Board (Note)		(404,086.03)	404,086.03
Total General Revenues	3,579,668.32	3,079,775.86	499,892.46
Increase/Decrease in Net Position	330,787.19	3,195,612.30	(2,864,825.11)
Net Position-Beginning of year	15,009,778.77	13,562,750.62	1,447,028.15
Net Position-End of year	15,340,565.96	16,758,362.92	(1,417,796.96)

The Statement of Activities presents expenses before program revenues with a final column to show the net expense or net revenue for each activity. Overall the net expense for all Primary Governmental activities was \$(3,248,881.13). General revenues offset net expense in the amount of \$3,579,668.32, leaving a total change in net position of 330,787.19 for FY 2017.

## **ANALYSIS OF INDIVIDUAL FUNDS**

Governmental funds presented individually in Cleburne County Commission's 2017 statements include four major funds: the General Fund (always a major fund), Gasoline Tax Fund, RRR Gasoline Tax Fund, and Revenue Commissioner's Operational Fund. The Commission reserves 20% of County Sales Tax Revenue in a "Reserve Account" within the General Fund to maintain cash on hand for emergencies and other unexpected expenses.

In fiscal year 17, the fund balance in the General Fund decreased by over \$300,000 from FY16. The Gasoline Tax Fund decreased by almost \$200,000, the RRR Gasoline Tax Fund increased over \$300,000 and the Revenue Commissioner's Operational Fund remained constant.

## **BUDGET**

Cleburne County Commission is mandated by state law to establish policies and procedures for submitting and adopting annual budgets for all county funds. Cleburne County Commission's 2017 budget was adopted on September 18, 2016. Throughout the year budget amendment requests affecting the overall amount of the budget are reviewed by the Commission and approved or denied by resolution; however, increases or decreases to individual line items within each department, that do not affect the overall numbers, are made with the approval of each division head, and coordinated with the finance office. Statements showing the original budget, final budget and actual budgetary amounts for the four major funds are included in the audit report.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2017, the Commission had over \$13 million in net capital assets. This amount includes capital assets less depreciation. The county's capital assets include land, buildings, bridges, construction equipment, office equipment and furniture, motor vehicles, data processing equipment, communication equipment, other equipment, and construction in progress.

### **Debt**

At the end of fiscal year 2017, Cleburne County Commission had over \$2 million outstanding in long-term debt. This includes a general obligation warrants payable, compensated absences, pollution remediation estimate, and the net pension liability.

## **CONTACT INFORMATION**

If you have any questions about this report or need additional financial information, please contact the Cleburne County Commission at 256-463-3838 or 6751 Hwy. 78, PO Box 908, Heflin, AL 36264.

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# *Basic Financial Statements*

**Statement of Net Position**  
**September 30, 2017**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash	\$ 3,238,630.98
Cash with Fiscal Agent	71,748.58
Investments	521,332.50
Receivables (Note 4)	526,895.27
Ad Valorem Taxes Receivable	1,182,482.88
Prepaid Items	88,628.43
Capital Assets (Note 5):	
Nondepreciable	2,580,021.94
Depreciable, Net	10,562,532.46
Total Assets	<u>18,772,273.04</u>
<b><u>Deferred Outflows of Resources</u></b>	
Related to Defined Benefit Pension Plans	529,791.05
Loss on Early Extinguishment of Debt	108,329.44
Total Deferred Outflows of Resources	<u>638,120.49</u>
<b><u>Liabilities</u></b>	
Accounts Payable	59,466.80
Unearned Revenue	44,586.11
Accrued Wages Payable	151,885.43
Accrued Interest Payable	11,152.00
Long-Term Liabilities:	
Portion Payable Within One Year:	
Warrants Payable	185,000.00
Add: Unamortized Premium	2,095.74
Estimated Liability for Pollution Remediation	85,000.00
Estimated Liability for Compensated Absences	186,173.59
Portion Payable After One Year:	
Warrants Payable	1,200,000.00
Add: Unamortized Premium	11,875.86
Estimated Liability for Pollution Remediation	18,957.50
Estimated Liability for Compensated Absences	111,903.81
Net Pension Liability	773,518.89
Total Liabilities	<u>\$ 2,841,615.73</u>

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



	<b>Governmental Activities</b>
<b><u>Deferred Inflows of Resources</u></b>	
Related to Defined Benefit Pension Plan	\$ 11,851.26
Unavailable Revenue - Property Tax	1,149,263.92
Revenue Received in Advance - Motor Vehicle Taxes	67,096.66
Total Deferred Inflows of Resources	<u>1,228,211.84</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	11,851,912.22
Restricted for:	
Debt Service	60,596.58
Road Projects	1,169,262.55
Capital Projects	8,143.16
Other Purposes	190,564.82
Unrestricted	<u>2,060,086.63</u>
Total Net Position	<u>\$ 15,340,565.96</u>

***Statement of Activities***  
***For the Year Ended September 30, 2017***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General Government	\$ 1,930,955.72	\$ 546,404.41	\$ 329,942.99
Public Safety	2,279,805.04	244,974.32	103,836.07
Highways and Roads	2,243,395.72	54,785.51	1,935,915.98
Sanitation	130,814.02	353.78	27,273.98
Welfare	67,071.34	5,712.50	
Culture and Recreation	48,504.22		24,205.00
Education	81,114.54		42,429.59
Interest on Long-Term Debt	61,651.30		
Total Governmental Activities	\$ 6,843,311.90	\$ 852,230.52	\$ 2,463,603.61

**General Revenues:**

Taxes:

- Property Taxes for General Purposes
- Property Taxes for Specific Purposes
- General Sales Tax
- County Gasoline Sales Tax
- Miscellaneous Taxes

Grants and Contributions Not Restricted for Specific Programs

Gain on Sale of Capital Assets

Investment Income

Miscellaneous Revenue

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year, as Restated (Note 13)

Net Position - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$	\$
	(1,054,608.32)
278,596.64	(1,930,994.65)
	25,902.41
	(103,186.26)
	(61,358.84)
	(24,299.22)
	(38,684.95)
	(61,651.30)
<u>\$ 278,596.64</u>	<u>(3,248,881.13)</u>

604,398.26
713,939.38
882,536.25
270,585.29
31,208.42
236,120.24
53,639.41
8,873.72
778,367.35
<u>3,579,668.32</u>
330,787.19
<u>15,009,778.77</u>
<u>\$ 15,340,565.96</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2017***

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Assets</u></b>		
Cash	\$ 1,900,153.69	\$ 458,268.89
Cash with Fiscal Agents		
Investments	521,332.50	
Receivables (Note 4)	289,765.46	78,892.62
Ad Valorem Taxes Receivable	726,329.03	
Prepaid Items	71,479.66	12,316.33
Total Assets	<u>3,509,060.34</u>	<u>549,477.84</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	43,688.74	6,904.50
Unearned Revenue		
Accrued Wages Payable	98,290.53	45,089.35
Estimated Liability for Compensated Absences	886.69	
Total Liabilities	<u>142,865.96</u>	<u>51,993.85</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	693,110.07	
Revenue Received in Advance - Motor Vehicle Taxes	67,096.66	
Total Deferred Inflows of Resources	<u>\$ 760,206.73</u>	<u>\$</u>

<b>RRR Gasoline Tax Fund</b>	<b>Revenue Commissioner's Operational Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 349,459.10	\$ 52,401.34	\$ 478,347.96	\$ 3,238,630.98
		71,748.58	71,748.58
			521,332.50
130,353.04		27,884.15	526,895.27
	456,153.85		1,182,482.88
	4,832.44		88,628.43
<u>479,812.14</u>	<u>513,387.63</u>	<u>577,980.69</u>	<u>5,629,718.64</u>
4,731.44	4,142.12		59,466.80
	44,586.11		44,586.11
	8,505.55		151,885.43
			886.69
<u>4,731.44</u>	<u>57,233.78</u>		<u>256,825.03</u>
	456,153.85		1,149,263.92
			67,096.66
<u>\$</u>	<u>\$ 456,153.85</u>	<u>\$</u>	<u>\$ 1,216,360.58</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2017***

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Fund Balances</u></b>		
Nonspendable:		
Prepaid Items	\$ 71,479.66	\$ 12,316.33
Restricted for:		
Capital Improvements		
Debt Service		
Roads and Bridges		386,658.22
Law Enforcement		
Homeland Security		
Other Purposes		
Assigned to:		
Self Insurance	91,564.40	
Roads and Bridges		98,509.44
Leave Liability	161,302.69	
Sheriff's Drug Fund	33,729.47	
Jail Financing	10,873.06	
Law Enforcement	18,343.85	
Other Purposes		
Unassigned	2,218,694.52	
Total Fund Balances	<u>2,605,987.65</u>	<u>497,483.99</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,509,060.34</u>	<u>\$ 549,477.84</u>

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

RRR Gasoline Tax Fund	Revenue Commissioner's Operational Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 4,832.44	\$	\$ 88,628.43
		8,143.16	8,143.16
		71,748.58	71,748.58
475,080.70		307,523.63	1,169,262.55
		171,399.96	171,399.96
		10.40	10.40
		19,154.46	19,154.46
			91,564.40
			98,509.44
			161,302.69
			33,729.47
			10,873.06
			18,343.85
		0.50	0.50
	(4,832.44)		2,213,862.08
475,080.70		577,980.69	4,156,533.03
\$ 479,812.14	\$ 513,387.63	\$ 577,980.69	\$ 5,629,718.64

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***Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2017***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 4,156,533.03

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

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

Capital Assets - Nondepreciable	\$ 2,580,021.94	
Capital Assets - Depreciable	10,562,532.46	
Total Capital Assets	13,142,554.40	13,142,554.40

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 Defined Benefit Pension Plan	\$ 529,791.05	
Deferred Inflows Related to Defined Benefit Pension Plan	(11,851.26)	
	517,939.79	517,939.79

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	\$ 185,000.00	\$ 1,200,000.00	
Unamortized Premium on Debt Issued	2,095.74	11,875.86	
Accrued Interest Payable	11,152.00		
Net Pension Liability		773,518.89	
Estimated Pollution Remediation	85,000.00	18,957.50	
Estimated Liability for Compensated Absences	185,286.90	111,903.81	
Total Liabilities	\$ 468,534.64	\$ 2,116,256.06	(2,584,790.70)

Losses on early extinguishment of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position.

108,329.44

Total Net Position - Governmental Activities (Exhibit 1)

\$ 15,340,565.96

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, 2017***

	General Fund	Gasoline Tax Fund
<b><u>Revenues</u></b>		
Taxes	\$ 2,089,751.81	\$
Licenses and Permits	12,359.50	
Intergovernmental	482,795.52	940,822.04
Charges for Services	745,942.31	1,474.08
Fines and Forfeits	11,066.20	
Miscellaneous	444,086.03	201,823.56
Total Revenues	<u>3,786,001.37</u>	<u>1,144,119.68</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	1,429,999.14	
Public Safety	1,895,302.98	
Highway and Roads		1,319,375.10
Sanitation	91,605.70	
Welfare	65,366.49	
Culture and Recreation	24,999.96	
Education	41,512.37	
Capital Outlay	77,069.69	112,480.82
Debt Service:		
Principal Retirement	1,115.70	
Interest and Fiscal Charges		6,016.87
Total Expenditures	<u>3,626,972.03</u>	<u>1,437,872.79</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>159,029.34</u>	<u>(293,753.11)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	313,939.23	97,595.27
Sale of Capital Assets		
Transfers Out	(809,960.00)	
Total Other Financing Sources (Uses)	<u>(496,020.77)</u>	<u>97,595.27</u>
Net Change in Fund Balances	(336,991.43)	(196,157.84)
Fund Balances - Beginning of Year	<u>2,942,979.08</u>	<u>693,641.83</u>
Fund Balances - End of Year	<u>\$ 2,605,987.65</u>	<u>\$ 497,483.99</u>

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

RRR Gasoline Tax Fund	Revenue Commissioner's Operational Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 412,915.79	\$	\$ 2,502,667.60
		53,311.43	65,670.93
1,008,977.56		545,725.37	2,978,320.49
	19.00	28,058.00	775,493.39
			11,066.20
336.62	202.85	140,792.01	787,241.07
1,009,314.18	413,137.64	767,886.81	7,120,459.68
	413,137.64	3,270.38	1,846,407.16
		133,783.68	2,029,086.66
455,900.57		298,999.40	2,074,275.07
		27,273.98	118,879.68
			65,366.49
			24,999.96
		39,016.67	80,529.04
250,991.71		346,284.00	786,826.22
		572,053.80	573,169.50
		42,254.27	48,271.14
706,892.28	413,137.64	1,462,936.18	7,647,810.92
302,421.90		(695,049.37)	(527,351.24)
		398,425.57	809,960.07
		232,166.00	232,166.00
		(0.07)	(809,960.07)
		630,591.50	232,166.00
302,421.90		(64,457.87)	(295,185.24)
172,658.80		642,438.56	4,451,718.27
\$ 475,080.70	\$	\$ 577,980.69	\$ 4,156,533.03

***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, 2017***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)	\$	(295,185.24)	
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:			
Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$786,826.22) exceeded depreciation (\$540,776.52) in the current period.			
			246,049.70
Costs for Pollution Remediation are expensed in the governmental funds, but the costs reduce long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.			
			67,938.39
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			
Repayment:			
General Obligation Warrants	\$	572,053.80	
Capital Leases		1,115.70	
		<u>573,169.50</u>	573,169.50
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consist of:			
Net Decrease in Compensated Absences	\$	34,656.96	
Net Decrease in Accrued Interest Payable		1,190.17	
Pension Expense		(103,935.37)	
Amortization of Premium on Debt Issued		2,095.74	
Amortization of Deferred Loss on Refunding		(16,666.07)	
Total Additional Expenditures		<u>(82,658.57)</u>	(82,658.57)
In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the book value of the capital assets sold.			
Proceeds from the Sale of Capital Assets	\$	(232,166.00)	
Gain (Loss) on Sale of Assets		53,639.41	
		<u>(178,526.59)</u>	(178,526.59)
Change in Net Position of Governmental Activities (Exhibit 2)	\$		<u><u>330,787.19</u></u>

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

**Statement of Fiduciary Net Position**  
**September 30, 2017**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ 446,230.03	\$ 199,634.08
Accounts Receivable	24,867.14	4,978.80
Prepaid Items	17,303.93	
Capital Assets, Depreciable, Net (Note 5)	71,948.32	
Total Assets	<u>560,349.42</u>	<u>204,612.88</u>
<b>Deferred Outflows of Resources</b>		
Related to Defined Benefit Pension Plan	<u>49,921.60</u>	
<b>Liabilities</b>		
Accounts Payable	223.10	204,612.88
Payable to External Parties	54,559.45	
Wages Payable	19,767.86	
Unearned Revenue	3,089.67	
Net Pension Liability	71,015.11	
Total Liabilities	<u>148,655.19</u>	<u>\$ 204,612.88</u>
<b>Deferred Inflows of Resources</b>		
Related to Defined Benefit Pension Plan	<u>1,698.74</u>	
<b>Net Position</b>		
Net Investment in Capital Assets	71,948.32	
Held in Trust for Other Purposes	387,968.77	
Total Net Position	<u>\$ 459,917.09</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, 2017***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Contributions from:	
Law Library Fees	\$ 5,496.63
Work Release Program Revenue	26,308.76
Emergency Communication Revenues	519,650.62
Interest	433.10
Total Additions	<u>551,889.11</u>
<b><u>Deductions</u></b>	
Salaries and Benefits	419,217.86
Legal Publications	422.20
Office Expense	16,790.81
Repairs and Maintenance of Building	34,262.43
Printing and Bookbinding	71.95
Membership Fees and Dues	110.00
Meeting and Conference Fees	5,294.96
Utilities and Communications	51,654.88
Depreciation Expense	19,596.39
Miscellaneous	7,950.17
Total Deductions	<u>555,371.65</u>
Changes in Net Position	(3,482.54)
Net Position - Beginning of Year	<u>463,399.63</u>
Net Position - End of Year	<u>\$ 459,917.09</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

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

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

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

Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of the internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Fund Financial Statements**

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as 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 accounted for in the General Fund are the self-insured vision sub-fund, the leave liability sub-fund, and the Public Buildings, Roads and Bridges sub-fund.
- ◆ **Gasoline Tax Fund** – The Gasoline Tax Fund is used to account for the Commission's share of the statewide 7-cent gasoline tax. Revenues are earmarked for building and maintaining county roads.
- ◆ **RRR Gasoline Tax Fund** – The RRR Gasoline Tax Fund is used to account for the Commission's share of the statewide 4-cent gasoline tax. Revenues are earmarked for resurfacing, restoration, and rehabilitation of county roads.
- ◆ **Revenue Commissioner's Operational Fund** – The Revenue Commissioner's Operational Fund is used to account for the expenditures of special county property taxes for the property tax reappraisal program, the operations of the revenue commissioner's office, and for salary and benefits of the revenue commissioner.

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 the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.
- ◆ **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.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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- ◆ **Capital Projects Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

- ◆ **Private-Purpose Trust Funds** – These funds are used to 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.

#### **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 interfund activity has been eliminated from the government-wide financial statements.

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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

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

***1. Deposits and Investments***

Cash includes cash on hand and demand deposits.

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

Investments are reported at fair value.

***2. Receivables***

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

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

Receivables due from other governments include amounts due from the state for taxes and cost-sharing, amounts due from grantors for grants issued for specific programs and amounts due from the Probate Judge.

Receivables in fiduciary funds consist primarily of amounts due from Alabama Wireless for E-911 surcharges.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**3. Prepaid Items**

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

**4. Restricted Assets**

Certain general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets in the financial statements because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. The General Obligation Warrants, Series 2014 account is used to segregate resources accumulated for debt service payments.

**5. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements and the fiduciary fund 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 and fiduciary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Land	\$ 1.00	
Land Improvements	\$ 5,000.00	20 – 30 Years
Buildings	\$ 5,000.00	25 – 40 Years
Equipment and Furniture	\$ 5,000.00	5 – 15 Years
Roads	\$50,000.00	40 Years
Bridges	\$10,000.00	40 Years

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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

**6. Deferred Outflows of Resources**

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

**7. 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 premiums, discounts, and deferred loss on refunding are deferred and amortized over the life of the debt. Warrants payable are reported gross of the applicable warrant discount, premium, and deferred loss on refunding. Warrant issuance costs are reported as an expense in the period incurred.

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**8. Compensated Absences**

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

**Annual Leave**

All classified and unclassified employees are eligible to earn vacation leave according to the following schedule for each month worked:

Years of Employment With the County	Leave Earned Per Pay Period	Maximum Accrual
0-5	4 Hours	360 hours
5-10	5 Hours	360 hours
Over 10	6 Hours	360 hours

**Sick Leave**

Sick leave is accrued at a rate of four hours per pay period with a maximum accrual of 560 hours. Employees with 10 years or more of service will be eligible to be paid for sick leave upon separation from the county as follows:

Years of Service	% of Leave Paid
10-14	50%
15-19	75%
At Least 20	100%

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

**Compensatory Leave**

Non-exempt employees may earn compensatory time in lieu of overtime pay in accordance with the provisions of the Fair Labor Standards Act. An employee may accumulate up to two hundred forty (240) hours. Any overtime above this amount must be paid as overtime pay. Compensatory time will be computed at one and one-half (1½) times the overtime hours worked.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

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

#### **10. 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.

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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- ◆ **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. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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

- ◆ **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 balances 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 action 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 authorized the Commission Chairman or County Administrator to make a determination of the assigned amount of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

##### *Budgets*

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund, the Gasoline Tax Fund, the RRR Gasoline Tax Fund, the Revenue Commissioner’s Operational Fund, and all other governmental funds, with the exception of capital projects funds, which adopt project-length budgets. All appropriations lapse at fiscal year-end.

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

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

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

##### *A. Deposits*

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



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**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

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**B. Investments**

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

As of September 30, 2017, the Commission had the following investments held by its Fiscal Agent.

Investments	Fair Value
Fidelity Investments Money Market Treasury Only – Class III	\$71,748.58
Total	\$71,748.58

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

**Credit Risk** – State law requires that pre-funded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. The Commission has no formal policy regarding credit risk. The Standard & Poor’s rating of the Commission’s Fidelity Investments Money Market Treasury Only – Class III investment is AAAM and the Moody’s rating is Aaa-mf.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have an investment policy, which limits the amount of securities that can be held by counterparties. The funds transferred to meet the Commission’s annual debt service are invested until payments are made.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Commission does not have an investment policy, which limits the amount of exposure to this risk.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Note 4 – Receivables**

On September 30, 2017, receivables for the Commission’s individual major funds and other governmental funds in the aggregate are as follows:

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Accounts Receivable	\$ 27,295.72	\$	\$	\$	\$ 27,295.72
Due from Other Governments	194,086.19	78,892.62	130,353.04	27,884.15	431,216.00
Sales Tax Receivable	68,383.55				68,383.55
Total Receivables	<u>\$289,765.46</u>	<u>\$78,892.62</u>	<u>\$130,353.04</u>	<u>\$27,884.15</u>	<u>\$526,895.27</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/01/2016, as Restated	Additions/ Reclassifications	Retirements/ Reclassifications	Balance 09/30/2017
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 361,199.86	\$ 3,725.00	\$	\$ 364,924.86
Construction in Progress	2,911,896.91	245,701.71	(942,501.54)	2,215,097.08
Total Capital Assets, Not Being Depreciated	<u>3,273,096.77</u>	<u>249,426.71</u>	<u>(942,501.54)</u>	<u>2,580,021.94</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	8,216,767.78	12,313.41		8,229,081.19
Improvements Other than Buildings	51,143.46			51,143.46
Equipment	486,887.97	25,738.11	(40,000.00)	472,626.08
Construction Equipment	1,337,562.08	87,395.00	(29,000.00)	1,395,957.08
Office Furniture and Equipment	101,465.76		(5,250.00)	96,215.76
Motor Vehicles	1,300,523.29	410,387.99	(271,125.00)	1,439,786.28
Data Processing Equipment (Computer)	308,752.79		(12,105.00)	296,647.79
Communications Equipment	709,574.78		(29,585.14)	679,989.64
Voting Machines	108,450.00			108,450.00
Fixed Assets Under Capital Lease	7,040.16		(7,040.16)	
Bridges	2,546,447.52	944,066.54		3,490,514.06
Chief Ladiga Trail	940,170.45			940,170.45
Total Capital Assets Being Depreciated	<u>16,114,786.04</u>	<u>1,479,901.05</u>	<u>(394,105.30)</u>	<u>17,200,581.79</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(2,011,322.56)	(195,708.88)		(2,207,031.44)
Improvements Other than Buildings	(41,340.31)	(3,150.90)		(44,491.21)
Equipment	(224,412.81)	(34,676.04)	40,000.00	(219,088.85)
Construction Equipment	(1,146,131.68)	(43,238.42)	29,000.00	(1,160,370.10)
Office Furniture and Equipment	(101,465.74)		5,250.00	(96,215.74)
Motor Vehicles	(841,140.14)	(139,967.75)	94,006.44	(887,101.45)
Data Processing Equipment (Computer)	(294,158.94)	(5,074.50)	12,105.00	(287,128.44)
Communications Equipment	(662,181.58)	(19,289.73)	29,585.14	(651,886.17)
Voting Machines	(108,450.00)			(108,450.00)
Fixed Assets Under Capital Lease	(4,928.11)	(704.02)	5,632.13	
Bridges	(677,533.44)	(75,462.02)		(752,995.46)
Chief Ladiga Trail	(199,786.21)	(23,504.26)		(223,290.47)
Total Accumulated Depreciation	<u>(6,312,851.52)</u>	<u>(540,776.52)</u>	<u>215,578.71</u>	<u>(6,638,049.33)</u>
Total Capital Assets Being Depreciated, Net	<u>9,801,934.52</u>	<u>939,124.53</u>	<u>(178,526.59)</u>	<u>10,562,532.46</u>
Governmental Activities Capital Assets, Net	<u>\$13,075,031.29</u>	<u>\$1,188,551.24</u>	<u>\$(1,121,028.13)</u>	<u>\$13,142,554.40</u>

The reclassification from Construction in Progress to Bridges listed above reflects the completion of the County Road 118 Dynne Creek Bridge Project. Beginning balances were restated for coding errors in the prior year. (See Note 13.)

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

	Balance 10/01/2016, as Restated	Additions	Retirements	Balance 09/30/2017
<b>Private-Purpose Trust Funds:</b>				
<b>Capital Assets Being Depreciated:</b>				
Equipment	\$ 134,671.00	\$	\$	\$ 134,671.00
Office Furniture and Equipment	25,334.45			25,334.45
Motor Vehicles	23,159.00			23,159.00
Data Processing Equipment (Computer)	20,495.00			20,495.00
Communications Equipment	7,238.75			7,238.75
Total Capital Assets Being Depreciated	210,898.20			210,898.20
<b>Less Accumulated Depreciation for:</b>				
Equipment	(60,601.95)	(13,467.10)		(74,069.05)
Office Furniture and Equipment	(24,001.91)	(1,332.54)		(25,334.45)
Motor Vehicles	(23,159.00)			(23,159.00)
Data Processing Equipment (Computer)	(6,523.50)	(3,349.00)		(9,872.50)
Communications Equipment	(5,067.13)	(1,447.75)		(6,514.88)
Total Accumulated Depreciation	(119,353.49)	(19,596.39)		(138,949.88)
Total Private-Purpose Trust Funds Capital Assets Being Depreciated, Net	\$ 91,544.71	\$(19,596.39)	\$	\$ (71,948.32)

The beginning balance has been restated to include an asset and the related depreciation for the transfer of a motor vehicle to the Emergency Communications District.

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$ 91,705.23
Public Safety	209,719.35
Highways and Roads	210,132.78
Sanitation	5,129.40
Culture and Recreation	23,504.26
Education	585.50
Total Depreciation Expense – Governmental Activities	\$540,776.52

	Current Year Depreciation Expense
<b>Fiduciary Funds:</b>	
Emergency Communications Expenses	\$19,596.39

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Note 6 – Defined Benefit Pension Plan

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

###### Plan Description

The Employees' Retirement System of Alabama (ERS), an agency 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](http://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 county, city, 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Benefits Provided**

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active Members	55,058
Total	<u>85,874</u>

**Contributions**

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute. ERS employers are not required by statute to increase contribution rates for 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 contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30 2017, the Commission's active employee contribution rate was 5.46% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 3.84% of covered employee payroll.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

The Commission's contractually required contribution rate for the year ended September 30, 2017 was 4.88% of pensionable pay for Tier 1 employees, and 1.90% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 \$112,319.65 for the year ended September 30, 2017.

**B. Net Pension Liability**

The Commission's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward		
	Expected	Actual – 2015 Valuation Assumptions	Actual – 2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	\$7,138,110	\$7,395,981	\$7,594,825
(b) Discount Rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for October 1, 2015 - September 30, 2016	248,530	248,530	244,560
(d) Transfers Among Employers		(441,400)	(441,400)
(e) Actual Benefit Payments and Refunds for October 1, 2015 - September 30, 2016	(280,046)	(280,046)	(280,046)
(f) Total Pension Liability as of September 30, 2016 = [(a) x (1+(b))] + (c) + [(e) x (1 + 0.5*(b))]	<u>\$7,666,441</u>	<u>\$7,503,542</u>	<u>\$7,695,686</u>
(g) Difference Between Expected and Actual		\$ (162,899)	
(h) Less Liability Transferred for Immediate Recognition		<u>(441,400)</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 278,501</u>	
(j) Difference Between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss			<u>\$ 192,144</u>



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Actuarial Assumptions**

The total pension liability as of September 30, 2016 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary Increases	3.25%-5.00%
Investment Rate of Return (*)	7.75%
(*) Net of pension plan investment expense	

Mortality rates 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 September 30, 2015 valuation 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, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	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	100.00%	

(\*) Includes assumed rate of inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. 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, 2017***

**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, 2015	\$7,138,110	\$6,640,376	\$497,734
Changes for the Year:			
Service Cost	248,530		248,530
Interest	559,847		559,847
Changes of Assumptions	192,144		192,144
Differences Between Expected and Actual Experience	278,501		278,501
Contributions – Employer		121,364	(121,364)
Contributions – Employee		157,149	(157,149)
Net Investment Income		653,709	(653,709)
Benefit Payments, including Refunds of Employee Contributions	(280,046)	(280,046)	
Transfers among Employers	(441,400)	(441,400)	
Net Changes	557,576	210,776	346,800
Balances at September 30, 2016	\$7,695,686	\$6,851,152	\$844,534

**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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission’s Net Pension Liability	\$1,865,172	\$844,534	\$(13,281)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

For the year ended September 30, 2017, the Commission recognized pension expense of \$215,972. At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$239,276	\$13,550
Changes of assumptions	165,081	
Net difference between projected and actual earnings on pension plan investments	63,036	
Employer contributions subsequent to the measurement date	112,320	
Total	\$579,713	\$13,550

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, 2018	\$ 78,257
2019	\$ 78,259
2020	\$125,126
2021	\$ 35,482
2022	\$ 63,802
Thereafter	\$ 72,917

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Note 7 – Pollution Remediation

During 2014, an underground fuel system gasoline leak was discovered on the construction yard of the County Engineer/Public Works Division. Immediately after the discovery, the fuel pumps were closed, and remedial actions began. A pollution remediation obligation has been estimated and reported in Exhibit 1 of the financial statements for the implementation of corrective actions. These obligations are categorized in the EPA “Clean Water Rule” Federal Water Pollution Control Act, 33 U. S.C. 1251, *et seq.*, including sections 3301, 304, 311, 401, 402, 404, and 501, and the Alabama Department of Environmental Management, Water Division’s Water Quality Program, Chapter 335-6-15 Technical Standards, Corrective Action Requirements and Financial Responsibility for Owners and Operators of Underground Storage Tanks, along with the Alabama Water Pollution Control Act, listed in the *Code of Alabama 1975*, Section 22-22-1 through 22. The Commission’s reported pollution remediation liability is an estimate provided by Mr. Michael Doran, Principal Scientist, of Southeast Environmental Compliance. The corrective action items were based on the ADEM Corrective Action requirements for AST sites. The estimate consists of the preparation of a Corrective Action Plan, installation of recovery wells, installation of recovery system piping for new wells and DPVE, disposal of petroleum contaminated stockpile, completion of the Risk Assessment Evaluation, tri-annual GW monitoring and operations and maintenance for one system, burial of existing recovery system piping, purchase of two new DPVE systems, rental of a thermal oxidizer, and the DPVE systems maintenance costs. The pollution remediation liability is subject to change due to changes in the cost of goods and services, changes in technology, or changes in laws and regulations governing the remediation effort. ADEM may require additional corrective actions to be completed if the groundwater quality does not reach the site specific goals as calculated by the ARBCA risk assessment. The site has been deemed eligible for participation in the Alabama Storage Tank Trust Fund for Pollution Remediation efforts, and an agreement has been made with PPM for the continued managing of the associated costs and funding. The County has no knowledge of any additional recovery programs for leaking storage tank sites; therefore, no recovery estimates have been applied at this time.

The following is a schedule of the estimated pollution remediation costs:

Fiscal Year Ending	Pollution Remediation	
	Estimates	Actual
September 30, 2015	\$243,300.00	\$226,846.08
2016	291,500.00	595,058.03
2017	107,000.00	67,938.39
2018	85,000.00	
2019	87,000.00	
2020	90,000.00	
2021	90,000.00	
Totals	\$993,800.00	\$889,842.50

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

#### Note 8 – Long-Term Debt

In August 2004, General Obligation Warrants, Series 2004, with fixed interest rates of 3.50 to 4.80 percent were issued to advance refund \$2,050,000 of the Cleburne County Public Building Authority’s Revenue Warrants (County Jail Project), Series 2000. In May 2014, General Obligation Warrants, Series 2014 were issued to refund \$1,920,000 of the Cleburne County Public Building Authority’s Revenue Warrants (County Jail Project), Series 2004.

During 2016, the Commission signed a general obligation warrant in the amount of \$600,000 with Metro Bank for the purpose of acquiring funds for the expenses incurred with the Pollution Remediation obligation. The Commission approved the utilization of the General Fund’s Reserve Account for the retiring of said debt in July 2017.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2017:

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Warrants Payable:					
General Obligation Warrants, Series 2016	\$ 392,053.80	\$	\$(392,053.80)	\$	\$
General Obligation Warrants, Series 2014	1,565,000.00		(180,000.00)	1,385,000.00	185,000.00
Add: Unamortized Premium	16,067.34		(2,095.74)	13,971.60	2,095.74
Total Warrants Payable	<u>1,973,121.14</u>		<u>(574,149.54)</u>	<u>1,398,971.60</u>	<u>187,095.74</u>
Other Liabilities:					
Capital Lease	1,115.70		(1,115.70)		
Estimated Liability for Pollution Remediation	171,895.89		(67,938.39)	103,957.50	85,000.00
Estimated Liability for Compensated Absence	369,595.46		(71,518.06)	298,077.40	186,173.59
Net Pension Liability	452,939.10	320,579.79		773,518.89	
Total Other Liabilities	<u>995,546.15</u>	<u>320,579.79</u>	<u>(140,572.15)</u>	<u>1,175,553.79</u>	<u>271,173.59</u>
Total Governmental Activities	<u>2,968,667.29</u>	<u>320,579.79</u>	<u>(714,721.69)</u>	<u>2,574,525.39</u>	<u>458,269.33</u>
<u>Private-Purpose Trust Funds:</u>					
Net Pension Liability	44,794.90	26,220.21		71,015.11	
Total Private-Purpose Trust Funds	<u>44,794.90</u>	<u>26,220.21</u>		<u>71,015.11</u>	
Total Long-Term Liabilities	<u>\$3,013,462.19</u>	<u>\$346,800.00</u>	<u>\$(714,721.69)</u>	<u>\$2,645,540.50</u>	<u>\$458,269.33</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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The compensated absences liability attributable to the governmental activities as well as fiduciary activities will be liquidated by the Commission's Leave Accrual Fund, which is included, for reporting purposes, in the General Fund. Each pay period, each fund, including both governmental and fiduciary, pay that pay period's leave accrual amount into the Leave Accrual Fund, thus all liability is accumulated here, with no residual amounts in the individual funds. When the Commission initiated this practice on October 1, 2009, each fund's current balance was calculated and paid into the fund over the next three fiscal years. The payments made to the Leave Accrual Fund are based on each employee's earned vacation and sick time multiplied by that employee's pay rate.

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

Fiscal Year Ending	Governmental Activities General Obligation Warrants Series 2014		Total Principal and Interest Requirements to Maturity
	Principal	Interest	
September 30, 2018	\$ 185,000.00	\$ 30,132.48	\$ 215,132.48
2019	190,000.00	26,432.52	216,432.52
2020	195,000.00	22,632.48	217,632.48
2021	200,000.00	18,732.48	218,732.48
2022	200,000.00	14,732.52	214,732.52
2023-2024	415,000.00	15,942.48	430,942.48
Totals	<u>\$1,385,000.00</u>	<u>\$128,604.96</u>	<u>\$1,513,604.96</u>

**Deferred Outflows on Refunding and Premiums**

The Commission has premiums and a deferred loss on refunding in connection with the issuance of its 2014 General Obligation Warrants that are being amortized using the straight-line method over a period of ten years.

	Deferred Outflows on Refunding	Premium
Total Deferred Outflows on Refunding and Premium	\$158,327.65	\$20,258.82
Amount Amortized Prior Years	(33,332.14)	(4,191.48)
Balance Deferred Outflows on Refunding and Premium	124,995.51	16,067.34
Current Amount Amortized	(16,666.07)	(2,095.74)
Balance Deferred Outflows on Refunding and Premium	<u>\$108,329.44</u>	<u>\$13,971.60</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Note 9 – Risk Management**

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

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

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). They may 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, 2017***

The Commission is self-insured with regard to vision insurance. Employees and family members covered by the Blue Cross health care plan automatically receive county vision care services. A flat contribution (set by the Commission) is paid into the program each month for each employee. Coverage is provided at 80 percent of actual costs up to \$300 per calendar year per individual except for refractive services. Effective May 15, 2006, the Commission provided coverage for refractive surgery at 80% of actual costs up to \$1,000 per eye. This is a lifetime benefit.

Fiscal Years	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014-2015	\$	\$5,692.28	\$5,692.28	\$
2015-2016	\$	\$8,400.86	\$8,400.86	\$
2016-2017	\$	\$6,449.24	\$6,449.24	\$

**Note 10 – Interfund Transactions**

**Interfund Transfers**

The amounts of interfund transfers during fiscal year ended September 30, 2017, were as follows:

	Transfers Out		Totals
	General Fund	Other Governmental Funds	
<b>Transfers In:</b>			
General Fund	\$313,939.16	\$ .07	\$313,939.23
Gasoline Tax Fund	97,595.27		97,595.27
Other Governmental Funds	398,425.57		398,425.57
Total Governmental Funds	<u>\$809,960.00</u>	<u>\$ .07</u>	<u>\$809,960.07</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Note 11 – Related Organizations**

A majority of the members of the following agencies are appointed by the Commission: Cleburne County Library Board, Cleburne County Public Building Authority, Cleburne County Department of Human Resources Board, Cleburne County Hospital Board, Cleburne County Emergency Communications District, Cleburne County Mental Health Board, Cleburne County Governmental Utility Service Corporation, and Cleburne County Water Authority. 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 the agencies are not considered part of the Commission’s financial reporting entity. These agencies are considered related organizations of the County Commission.

#### **Note 12 – Tax Abatements**

The Cleburne County Commission provides tax abatements through one program – The Tax Incentive Reform Act of 1992, Chapter 9B Abatements for New and Expanding Projects, Including Upgrades (*Code of Alabama 1975*, Section 40-9B-1).

The Tax Incentive Reform Act of 1992, Chapter 9B, offers tax abatements as an incentive for economic development related to qualifying projects that constitute an “industrial, warehousing, or research activity.” This gives cities, counties, and public industrial authorities the ability to abate the following for new and expanding qualifying projects:

- ◆ State sales and use taxes
- ◆ Non-educational county and city sales and use taxes
- ◆ Non-educational state, county, and city property taxes – up to 20 years (except data processing centers which can be abated for up to 30 years)
- ◆ Mortgage and recording taxes to which property is conveyed into or out of a public authority, city or county government

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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- ◆ Data processing centers can receive abatements as follows:
  - ✓ Property tax abatement for 10 years from and after the date the private use property becomes owned for federal income tax purposes for projects that invest up to \$200,000,000 within 10 years from the commencement of the project. Sales and use tax abatements can also be abated for the same 10 year period based on the same investment thresholds.
  - ✓ Property tax abatement for 20 years from and after the date the private use property becomes owned for federal income tax purposes for projects that invest over \$200,000,000 but less than \$400,000,000 within 10 years from the commencement of the project. Sales and use tax abatements can also be abated for the same 20 year period based on the same investment thresholds.
  - ✓ Property tax abatement for 30 years from and after the date the private use property becomes owned for federal income tax purposes for projects that invest over \$200,000,000 within 10 years from the commencement of the project and exceed \$400,000,000 within 20 years from the commencement of the project. Sales and use tax abatements can also be abated for the same 30 year period based on the same investment thresholds.

To receive abatements for any or all of these taxes, a project must meet certain qualifications and follow certain procedures, as determined by law and regulation. The Commission recognized tax abatements for the fiscal year ended September 30, 2017, as follows:

Abatements (Personal and Real Property)	\$21,140.76
Total Abatements	\$21,140.76

**Note 13 – Restatements**

In fiscal year 2016, the Commission erroneously coded road and bridge repairs as capital assets. Although the Commission policy specifies capitalization thresholds to include road and bridge improvements, the Governmental Accounting Standards Board defines this differently. The corrections were made which required a restatement to beginning net position. The result is a decrease in Net Position for governmental activities at October 1, 2016, of \$1,748,584.15.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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

	Governmental Activities
Net Position, September 30, 2016, as Previously Reported	\$16,758,362.92
Effect of Corrections to Capital Assets	(1,748,584.15)
Net Position, September 30, 2016, as Restated	<u>\$15,009,778.77</u>

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*Required Supplementary Information*

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***Schedule of Changes in the Net Pension Liability***  
***For the Year Ended September 30, 2017***

	2017	2016	2015
<b><u>Total pension liability</u></b>			
Service cost	\$ 248,530	\$ 248,026	\$ 247,843
Interest	559,847	523,758	487,054
Difference between expected and actual experience	192,144		
Changes of assumptions	278,501	(19,082)	
Benefit payments, including refunds of employee contributions	(280,046)	(323,129)	(229,071)
Transfers among employees	(441,400)		
Net change in total pension liability	557,576	429,573	505,826
Total pension liability - beginning	7,138,110	6,708,537	6,202,711
Total pension liability - ending (a)	<u>\$ 7,695,686</u>	<u>\$ 7,138,110</u>	<u>\$ 6,708,537</u>
<b><u>Plan fiduciary net position</u></b>			
Contributions - employer	\$ 121,364	\$ 135,950	\$ 137,081
Contributions - employee	157,149	155,510	152,636
Net investment income	653,709	78,042	703,178
Benefit payments, including refunds of employee contributions	(280,046)	(323,129)	(229,071)
Transfers among employees	(441,400)		
Net change in plan fiduciary net position	210,776	46,373	763,824
Plan fiduciary net positions - beginning	6,640,376	6,594,003	5,830,179
Plan fiduciary net positions - ending (b)	<u>\$ 6,851,152</u>	<u>\$ 6,640,376</u>	<u>\$ 6,594,003</u>
Commission's net pension liability - ending (a) - (b)	\$ 844,534	\$ 497,734	\$ 114,534
Plan fiduciary net position as a percentage of the total pension liability	89.03%	93.03%	98.29%
Covered payroll (*)	\$ 2,934,882	\$ 2,866,362	\$ 2,876,640
Commission's net pension liability as a percentage of covered payroll	28.78%	17.36%	3.98%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2017, the measurement period is October 1, 2015 - September 30, 2016. 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, 2017***

	2017	2016
Actuarially determined contribution (*)	\$ 112,320	\$ 121,364
Contributions in relation to the actuarially determined contribution (*)	\$ 112,320	\$ 121,364
Contribution deficiency (excess)	\$	\$
Covered payroll (**)	\$ 2,921,698	\$ 2,934,882
Contributions as a percentage of covered-employee payroll	3.84%	4.14%

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

(\*\*) Employer's covered payroll for fiscal year 2017 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 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	10 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, 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.





<b>2015</b>		<b>2014</b>	
\$	135,950	\$	137,081
\$	135,950	\$	137,081
<hr/>		<hr/>	
\$		\$	
<hr/>		<hr/>	
\$	2,866,362	\$	2,876,640
	4.74%		4.77%

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 1,642,120.00	\$ 1,642,120.00	\$ 1,788,728.22
Licenses and Permits	12,500.00	12,500.00	12,359.50
Intergovernmental	332,400.00	401,582.96	474,473.75
Charges for Services	787,250.00	787,250.00	745,942.31
Fines and Forfeits	4,200.00	4,200.00	11,066.20
Miscellaneous	43,615.00	43,615.00	443,980.38
Total Revenues	<u>2,822,085.00</u>	<u>2,891,267.96</u>	<u>3,476,550.36</u>
<b>Expenditures</b>			
Current:			
General Government	1,099,132.09	1,164,273.50	1,429,999.14
Public Safety	1,698,654.44	2,016,694.23	1,895,302.98
Sanitation	110,132.30	111,309.79	91,605.70
Welfare	70,361.99	71,661.97	65,366.49
Culture and Recreation	25,000.00	25,000.00	24,999.96
Education	17,225.46	17,225.46	41,512.37
Capital Outlay	13,600.00	15,124.00	77,069.69
Debt Service:			
Principal Retirement			1,115.70
Total Expenditures	<u>3,034,106.28</u>	<u>3,421,288.95</u>	<u>3,626,972.03</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(212,021.28)</u>	<u>(530,020.99)</u>	<u>(150,421.67)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	448,806.20	448,806.20	627,873.23
Transfers Out	(238,872.20)	(238,872.20)	(809,960.00)
Total Other Financing Sources (Uses)	<u>209,934.00</u>	<u>209,934.00</u>	<u>(182,086.77)</u>
Net Changes in Fund Balances	(2,087.28)	(320,086.99)	(332,508.44)
Fund Balances - Beginning of Year	<u>2,404,727.00</u>	<u>2,404,727.00</u>	<u>2,910,208.84</u>
Fund Balances - End of Year	<u>\$ 2,402,639.72</u>	<u>\$ 2,084,640.01</u>	<u>\$ 2,577,700.40</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 301,023.59	\$ 2,089,751.81
		12,359.50
(1)	8,321.77	482,795.52
		745,942.31
		11,066.20
(1)	105.65	444,086.03
	<u>309,451.01</u>	<u>3,786,001.37</u>
		1,429,999.14
		1,895,302.98
		91,605.70
		65,366.49
		24,999.96
		41,512.37
		77,069.69
		<u>1,115.70</u>
		<u>3,626,972.03</u>
	<u>309,451.01</u>	<u>159,029.34</u>
(2)	(313,934.00)	313,939.23
		(809,960.00)
	<u>(313,934.00)</u>	<u>(496,020.77)</u>
(3)	(4,482.99)	(336,991.43)
	<u>32,770.24</u>	<u>2,942,979.08</u>
	<u>\$ 28,287.25</u>	<u>\$ 2,605,987.65</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2017***

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

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

(1) Revenues  
Public Roads, Buildings and Bridges Fund

(2) Other Financing Sources  
Public Roads, Buildings and Bridges Fund

Net Decrease in Fund Balance - Budget to GAAP

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

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\$ 309,451.01

(313,934.00)

\$ (4,482.99)

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b>Revenues</b>			
Intergovernmental	\$ 961,800.00	\$ 961,800.00	\$ 940,822.04
Charges for Services			1,474.08
Miscellaneous	652,500.00	652,500.00	201,823.56
Total Revenues	<u>1,614,300.00</u>	<u>1,614,300.00</u>	<u>1,144,119.68</u>
<b>Expenditures</b>			
Current:			
Highways and Roads	1,774,927.84	1,729,365.94	1,319,375.10
Capital Outlay	658,227.37	679,499.78	112,480.82
Debt Service:			
Interest and Fiscal Charges			6,016.87
Total Expenditures	<u>2,433,155.21</u>	<u>2,408,865.72</u>	<u>1,437,872.79</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(818,855.21)</u>	<u>(794,565.72)</u>	<u>(293,753.11)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	140,000.00	140,000.00	97,595.27
Total Other Financing Sources (Uses)	<u>140,000.00</u>	<u>140,000.00</u>	<u>97,595.27</u>
Net Change in Fund Balances	(678,855.21)	(654,565.72)	(196,157.84)
Fund Balances - Beginning of Year	<u>700,850.00</u>	<u>700,850.00</u>	<u>693,641.83</u>
Fund Balances - End of Year	<u>\$ 21,994.79</u>	<u>\$ 46,284.28</u>	<u>\$ 497,483.99</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 940,822.04
	1,474.08
	201,823.56
	<u>1,144,119.68</u>
	1,319,375.10
	112,480.82
	6,016.87
	<u>1,437,872.79</u>
	<u>(293,753.11)</u>
	<u>97,595.27</u>
	<u>97,595.27</u>
	(196,157.84)
	<u>693,641.83</u>
<u>\$</u>	<u>\$ 497,483.99</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - RRR Gasoline Tax Fund  
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Intergovernmental	\$ 661,000.00	\$ 661,000.00	\$ 1,008,977.56
Miscellaneous	250.00	250.00	336.62
Total Revenues	661,250.00	661,250.00	1,009,314.18
<b>Expenditures</b>			
Current:			
Highways and Roads	571,750.00	571,750.00	455,900.57
Capital Outlay	92,000.00	92,000.00	250,991.71
Total Expenditures	663,750.00	663,750.00	706,892.28
Excess (Deficiency) of Revenues Over Expenditures	(2,500.00)	(2,500.00)	302,421.90
Net Change in Fund Balances	(2,500.00)	(2,500.00)	302,421.90
Fund Balances - Beginning of Year	2,500.00	2,500.00	172,658.80
Fund Balances - End of Year	\$	\$	\$ 475,080.70



Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,008,977.56
	336.62
	<u>1,009,314.18</u>
	455,900.57
	<u>250,991.71</u>
	<u>706,892.28</u>
	302,421.90
	302,421.90
	<u>172,658.80</u>
<u>\$</u>	<u>\$ 475,080.70</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Revenue Commissioner's Operational Fund  
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 448,320.00	\$ 448,320.00	\$ 412,915.79
Charges for Services			19.00
Miscellaneous	215.00	215.00	202.85
Total Revenues	<u>448,535.00</u>	<u>448,535.00</u>	<u>413,137.64</u>
<b>Expenditures</b>			
Current:			
General Government	443,936.12	450,540.00	413,137.64
Capital Outlay	1,500.00	18,028.82	
Total Expenditures	<u>445,436.12</u>	<u>468,568.82</u>	<u>413,137.64</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,098.88</u>	<u>(20,033.82)</u>	
Net Change in Fund Balances	3,098.88	(20,033.82)	
Fund Balances - Beginning of Year	<u>37,000.00</u>	<u>37,000.00</u>	
Fund Balances - End of Year	<u>\$ 40,098.88</u>	<u>\$ 16,966.18</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 412,915.79
	19.00
	202.85
	<u>413,137.64</u>
	413,137.64
	<u>413,137.64</u>
	413,137.64
	413,137.64
<u>\$</u>	<u>\$</u>

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2016 through September 30, 2017***

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**Commission Members**

**Term Expires**

Hon. Ryan Robertson	Ex-Officio Chairman	January 2019
Hon. Laura Cobb	Member	November 2020
Hon. Emmett Owen	Member	November 2018
Hon. Terry Hendrix	Member	November 2018
Hon. Bobby Brooks	Member	November 2016
Hon. Jake Durham	Member	November 2020

**Administrative Personnel**

Mr. Steve Swafford	County Administrator	January 2018
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***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**Independent Auditor's Report**

Members of the Cleburne County Commission and County Administrator  
Heflin, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleburne County Commission (the "Commission") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 11, 2019.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the internal control.

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

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

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

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**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

**Purpose of this Report**

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

January 11, 2019