



Alabama Department of Examiners of Public Accounts

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

October 1, 2019 through September 30, 2020

Filed: March 3, 2023

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ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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

Dear Madam:

An audit was conducted on the Walker County Commission, Walker County, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Laura Madison and Kalandria Morris. I, Laura Madison, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Laura H. Madison'.

Laura H. Madison
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Walker County Commission
October 1, 2019 through September 30, 2020**

The Walker County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Walker County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 20. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Walker County.

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

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

Financial statements for the fiscal year ending September 30, 2020 were not prepared by management until March 1, 2022. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements. In addition, the Commission’s Single Audit was not submitted to the Federal Audit Clearinghouse timely, as required by Title 2 U. S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

AUDIT FINDINGS

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below:

- ◆ 2020-001: The Commission did not comply with all aspects of the Alabama Competitive Bid Law.

A problem was found with the Commission's internal controls over financial reporting (Exhibit 23) and it is summarized below:

- ◆ 2020-002: The Commission did not ensure all financial information was properly recorded in the financial statements.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 20, were invited to discuss the results of this report at an exit conference. The following individuals attended the exit conference: Robbie Dickerson, County Administrator and representatives from the Department of Examiners of Public Accounts: Joshua D. Taylor, Audit Manager; Laura Madison, Examiner-in-Charge; and Kalandria Morris, Examiner. The results of the audit were also discussed by telephone with Commissioners Jeff Burrough and Steven Aderholt.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
October 1, 2019 through September 30, 2020

Ref. No.	Finding/Noncompliance
2020-001	<p><u>Finding:</u></p> <p>The <i>Code of Alabama 1975</i>, Section 41-16-50, commonly known as the “Alabama Competitive Bid Law”, requires all expenditures of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving \$15,000 or more made by or on behalf of a county commission shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. Additionally, the <i>Code of Alabama 1975</i>, Section 41-16-54(e), provides that all original bids, together with all documents pertaining to the award of the contract, shall be retained in accordance with a retention period of at least seven years established by the Local Government Records Commission and shall be open to public inspection. Further, the Commission’s “Purchasing Procedures” policy provides, “purchases of \$15,000 or higher that cannot be obtained under a state bid must be bid in accordance with the Competitive Bid Law.” During testing the following problems were noted:</p> <ul style="list-style-type: none"> ✓ Three annual road department bids for stone, bituminous plant mix and emulsified asphalt were bid under the requirements of the Alabama Competitive Bid Law. However, each bid was awarded to all bidders instead of being awarded to the lowest responsible bidder. ✓ The Commission expended \$111,222.22 on equipment during the audit period. Upon inquiry, the Commission indicated the equipment was purchased utilizing an approved purchasing cooperative; however, the Commission did not retain documentation to support this claim. <p>The Commission did not have adequate procedures in place to ensure the applicable laws and Commission policies related to competitive bidding were followed. As a result, the Commission failed to comply with the provisions of the Alabama Competitive Bid Law and its own policy.</p> <p><u>Recommendation:</u></p> <p>The Walker County Commission should implement procedures to ensure that policies are followed, competitive bids are obtained, and appropriate documentation is retained as provided by the Alabama Competitive Bid Law and Commission policy.</p>

Independent Auditor's Report

Independent Auditor's Report

Members of Walker County Commission and County Administrator
Jasper, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walker County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Walker County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walker County Commission, as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

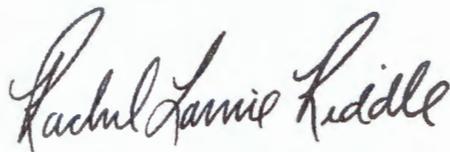
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walker County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 19), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2023, on our consideration of the Walker County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Walker 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 Walker County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

February 15, 2023

Basic Financial Statements

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 8,330,203.76	\$ 539,660.75	\$ 8,869,864.51
Investments	4,360,610.91	117,496.12	4,478,107.03
Receivables, Net (Note 4)	1,750,342.48	54,806.37	1,805,148.85
Internal Balances	250,000.00	(250,000.00)	
Property Taxes Receivable	6,344,377.27		6,344,377.27
Prepaid Items	94,009.74		94,009.74
Total Current Assets	21,129,544.16	461,963.24	21,591,507.40
Noncurrent Assets			
Capital Assets (Note 5):			
Nondepreciable	1,350,144.00		1,350,144.00
Depreciable, Net	23,391,929.40	889,338.40	24,281,267.80
Total Noncurrent Assets	24,742,073.40	889,338.40	25,631,411.80
Total Assets	45,871,617.56	1,351,301.64	47,222,919.20
Deferred Outflows of Resources			
Employer Pension Contributions	569,736.71		569,736.71
Deferred Outflows Related to Defined Benefit Pension Plan	585,681.00		585,681.00
Employer Other Postemployment Benefits (OPEB) Contributions	220,590.20		220,590.20
Deferred Outflows Related to Other Postemployment Benefits (OPEB) Plan	1,100,762.00		1,100,762.00
Total Deferred Outflows of Resources	2,476,769.91		2,476,769.91
Liabilities			
Current Liabilities			
Payables (Note 8)	263,310.90	21,866.36	285,177.26
Salaries Payable	232,066.34	26,892.80	258,959.14
Unearned Revenues	312,860.14		312,860.14
Accrued Interest Payable	83,620.80		83,620.80
Total Current Liabilities	\$ 891,858.18	\$ 48,759.16	\$ 940,617.34

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities			
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Note from Direct Borrowing	\$ 76,061.73	\$	\$ 76,061.73
Capital Lease Payable	49,061.74	89,981.67	139,043.41
Warrants Payable	1,010,000.00		1,010,000.00
Less: Unamortized Discounts	(4,564.00)		(4,564.00)
Compensated Absences	75,021.98	17,256.79	92,278.77
Portion Due or Payable After One Year:			
Note from Direct Borrowing	217,027.26		217,027.26
Capital Lease Payable		287,311.60	287,311.60
Warrants Payable	14,020,000.00		14,020,000.00
Less: Unamortized Discounts	(53,509.00)		(53,509.00)
Compensated Absences	675,197.79	155,311.10	830,508.89
Net Pension Liability	6,354,158.00		6,354,158.00
Other Postemployment Benefit (OPEB) Liability	8,639,928.00		8,639,928.00
Total Noncurrent Liabilities	<u>31,058,383.50</u>	<u>549,861.16</u>	<u>31,608,244.66</u>
Total Liabilities	<u>31,950,241.68</u>	<u>598,620.32</u>	<u>32,548,862.00</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	6,344,377.27		6,344,377.27
Deferred Inflows Related to Defined Benefit Pension Plan	1,033,553.00		1,033,553.00
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Plan	4,825,101.00		4,825,101.00
Revenue Received in Advance - Motor Vehicle Taxes	346,497.21		346,497.21
Total Deferred Inflows of Resources	<u>12,549,528.48</u>		<u>12,549,528.48</u>
Net Position			
Net Investment in Capital Assets	9,427,995.67	512,045.13	9,940,040.80
Restricted for:			
County Jail	601,489.31		601,489.31
Road Projects	4,466,651.44		4,466,651.44
Capital Improvement	1,020,565.21		1,020,565.21
Other Purposes	2,825,438.75		2,825,438.75
Unrestricted	<u>(14,493,523.07)</u>	<u>240,636.19</u>	<u>(14,252,886.88)</u>
Total Net Position	<u>\$ 3,848,617.31</u>	<u>\$ 752,681.32</u>	<u>\$ 4,601,298.63</u>

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

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 6,807,462.60	\$ 2,695,130.46	\$ 1,199,573.76	\$ 788,839.00	\$ (2,123,919.38)	\$	\$ (2,123,919.38)
Public Safety	7,480,550.77	1,297,250.55			(6,183,300.22)		(6,183,300.22)
Highways and Roads	7,520,216.85			182,818.73	(7,337,398.12)		(7,337,398.12)
Sanitation		250,000.00			250,000.00		250,000.00
Health	171,965.60				(171,965.60)		(171,965.60)
Welfare	176,932.00		176,932.00				
Culture and Recreation	666.95				(666.95)		(666.95)
Interest on Long-Term Debt	526,221.48				(526,221.48)		(526,221.48)
Total Governmental Activities	22,684,016.25	4,242,381.01	1,376,505.76	971,657.73	(16,093,471.75)		(16,093,471.75)
Business-Type Activities:							
Sanitation	2,035,231.61	2,338,964.24				303,732.63	303,732.63
Total Business-Type Activities	2,035,231.61	2,338,964.24				303,732.63	303,732.63
Total Primary Government	\$ 24,719,247.86	\$ 6,581,345.25	\$ 1,376,505.76	\$ 971,657.73	(16,093,471.75)	303,732.63	(15,789,739.12)
General Revenues and Transfers:							
Taxes:							
Property Taxes for General Purposes					5,501,884.32		5,501,884.32
Property Taxes for Specific Purposes					2,027,712.25		2,027,712.25
General Sales Tax					4,321,742.83		4,321,742.83
Grants and Contributions Not Restricted for Specific Programs					5,104,100.29		5,104,100.29
Interest Earned					21,744.79	68.43	21,813.22
Miscellaneous					1,716,923.76	14,017.49	1,730,941.25
Transfers					(28,834.17)	28,834.17	
Total General Revenues and Transfers					18,665,274.07	42,920.09	18,708,194.16
Change in Net Position					2,571,802.32	346,652.72	2,918,455.04
Net Position - Beginning of Year, as Restated (Note 15)					1,276,814.99	406,028.60	1,682,843.59
Net Position - End of Year					\$ 3,848,617.31	\$ 752,681.32	\$ 4,601,298.63

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

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 2,478,552.31	\$ 1,442,720.95	\$ 305,459.38	\$ 4,103,471.12	\$ 8,330,203.76
Investments	3,905,707.21	42,337.46		412,566.24	4,360,610.91
Receivables (Note 4)	725,865.81	144,491.46		879,985.21	1,750,342.48
Due from Other Funds	250,000.00				250,000.00
Property Tax Receivable	5,553,685.98		790,691.29		6,344,377.27
Prepaid Items	94,009.74				94,009.74
Total Assets	13,007,821.05	1,629,549.87	1,096,150.67	5,396,022.57	21,129,544.16
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Payables (Note 8)	186,633.31	18,792.57	8,170.48	49,714.54	263,310.90
Salaries and Benefits Payable	167,496.34	42,390.05	14,262.76	7,917.19	232,066.34
Unearned Revenue	29,834.00		283,026.14		312,860.14
Total Liabilities	383,963.65	61,182.62	305,459.38	57,631.73	808,237.38
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	5,553,685.98		790,691.29		6,344,377.27
Revenue Received in Advance - Motor Vehicle Taxes	346,497.21				346,497.21
Total Deferred Inflows of Resources	5,900,183.19		790,691.29		6,690,874.48
Fund Balances					
Nonspendable:					
Prepaid Items	94,009.74				94,009.74
Restricted for:					
County Jail Purposes	601,489.31				601,489.31
Capital Improvement	1,020,565.21				1,020,565.21
Roads and Bridges	103,798.76	1,568,367.25		2,794,485.43	4,466,651.44
Other Purposes	355,522.32			2,553,537.23	2,909,059.55
Unassigned	4,548,288.87			(9,631.82)	4,538,657.05
Total Fund Balances	6,723,674.21	1,568,367.25		5,338,390.84	13,630,432.30
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,007,821.05	\$ 1,629,549.87	\$ 1,096,150.67	\$ 5,396,022.57	\$ 21,129,544.16

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 13,630,432.30

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 the governmental funds. 24,742,073.40

Deferred Outflows and Inflows of Resources related to the pension plan are applicable to
future periods and, therefore, are not reported in the governmental funds. 121,864.71

Deferred Outflows and Inflows of Resources related to the Other Postemployment
Benefits (OPEB) are applicable to future periods and, therefore, are not reported
in the governmental funds. (3,503,748.80)

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

	Amounts Due or Payable Within One Year (Current)	Amounts Due or Payable After One Year (Noncurrent)	
Note from Direct Borrowing	\$ 76,061.73	\$ 217,027.26	
Capital Lease Payable	49,061.74		
Warrants Payable	1,010,000.00	14,020,000.00	
Less: Unamortized Discounts	(4,564.00)	(53,509.00)	
Compensated Absences	75,021.98	675,197.79	
Total OPEB Liability		8,639,928.00	
Accrued Interest Payable	83,620.80		
Net Pension Liability		6,354,158.00	
Total Long-Term Liabilities	\$ 1,289,202.25	\$ 29,852,802.05	(31,142,004.30)

Total Net Position - Governmental Activities (Exhibit 1) \$ 3,848,617.31

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

Statement of Changes in Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 9,557,506.90	\$ 367,208.30	\$ 793,422.37	\$ 122,683.78	\$ 10,840,821.35
Licenses and Permits	1,429,581.85			1,541.00	1,431,122.85
Intergovernmental	2,913,476.46	1,233,858.68		4,113,532.47	8,260,867.61
Charges for Services	3,109,251.14			1,112,947.73	4,222,198.87
Miscellaneous	448,661.45	34,160.40	4,867.31	9,045.58	496,734.74
Total Revenues	<u>17,458,477.80</u>	<u>1,635,227.38</u>	<u>798,289.68</u>	<u>5,359,750.56</u>	<u>25,251,745.42</u>
Expenditures					
Current:					
General Government	4,641,535.35		815,935.72	751,263.35	6,208,734.42
Public Safety	7,008,651.23			264,419.41	7,273,070.64
Highways and Roads	1,367,366.97	2,525,862.72		3,103,392.91	6,996,622.60
Health	141,196.37				141,196.37
Welfare				176,932.00	176,932.00
Culture and Recreation	666.95				666.95
Capital Outlay	232,881.29	105,421.00			338,302.29
Debt Service:					
Principal Retirement	150,849.70			980,000.00	1,130,849.70
Interest and Fiscal Charges	15,139.38			520,981.26	536,120.64
Total Expenditures	<u>13,558,287.24</u>	<u>2,631,283.72</u>	<u>815,935.72</u>	<u>5,796,988.93</u>	<u>22,802,495.61</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,900,190.56</u>	<u>(996,056.34)</u>	<u>(17,646.04)</u>	<u>(437,238.37)</u>	<u>2,449,249.81</u>
Other Financing Sources (Uses)					
Transfers In	61,861.35	1,966,261.29	17,646.04	1,535,329.25	3,581,097.93
Sale of Capital Assets	19,257.32			13,650.00	32,907.32
Transfers Out	(3,223,070.75)			(386,861.35)	(3,609,932.10)
Total Other Financing Sources (Uses)	<u>(3,141,952.08)</u>	<u>1,966,261.29</u>	<u>17,646.04</u>	<u>1,162,117.90</u>	<u>4,073.15</u>
Net Changes in Fund Balances	758,238.48	970,204.95		724,879.53	2,453,322.96
Fund Balances - Beginning of Year, as Restated (Note 15)	<u>5,965,435.73</u>	<u>598,162.30</u>		<u>4,613,511.31</u>	<u>11,177,109.34</u>
Fund Balances - End of Year	<u>\$ 6,723,674.21</u>	<u>\$ 1,568,367.25</u>	<u>\$</u>	<u>\$ 5,338,390.84</u>	<u>\$ 13,630,432.30</u>

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

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2020

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 2,453,322.96

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,161,659.23) differed from capital outlay (\$338,302.29) in the current period. (823,356.94)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,130,849.70

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

Loss on Disposition of Assets (39,915.54)

Discounts on debt issuance are reported as other financing sources in the governmental funds but are deferred and amortized in the Statement of Activities. (4,564.00)

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

Net Increase in Compensated Absences	\$	(64,853.76)	
Net Change in Other Postemployment Benefits (OPEB) Expense		(210,619.80)	
Net Change in Pension Expense		121,040.54	
Net Decrease in Accrued Interest Payable		9,899.16	
Total Additional Expenses, Net		(144,533.86)	(144,533.86)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,571,802.32

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

Statement of Net Position
Proprietary Funds
September 30, 2020

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 278,377.15	\$ 261,283.60	\$ 539,660.75
Investments	117,496.12		117,496.12
Receivables, Net (Note 4)	33,744.47	21,061.90	54,806.37
Total Current Assets	<u>429,617.74</u>	<u>282,345.50</u>	<u>711,963.24</u>
<u>Noncurrent Assets</u>			
Capital Assets (Note 5):			
Depreciable, Net	889,338.40		889,338.40
Total Noncurrent Assets	<u>889,338.40</u>		<u>889,338.40</u>
Total Assets	<u>1,318,956.14</u>	<u>282,345.50</u>	<u>1,601,301.64</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Payables (Note 8)	21,866.36		21,866.36
Salaries Payable	26,892.80		26,892.80
Due to Employees		250,000.00	250,000.00
Total Current Liabilities	<u>48,759.16</u>	<u>250,000.00</u>	<u>298,759.16</u>
<u>Noncurrent Liabilities</u>			
Portion Due or Payable Within One Year:			
Capital Lease Payable	89,981.67		89,981.67
Compensated Absences	17,256.79		17,256.79
Portion Due or Payable After One Year:			
Capital Lease Payable	287,311.60		287,311.60
Compensated Absences	155,311.10		155,311.10
Total Noncurrent Liabilities	<u>549,861.16</u>		<u>549,861.16</u>
Total Liabilities	<u>598,620.32</u>	<u>250,000.00</u>	<u>848,620.32</u>
<u>Net Position</u>			
Net Investment in Capital Assets	512,045.13		512,045.13
Unrestricted	208,290.69	32,345.50	240,636.19
Total Net Position	<u>\$ 720,335.82</u>	<u>\$ 32,345.50</u>	<u>\$ 752,681.32</u>

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

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2020

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<u>Operating Revenues</u>			
Charges for Services	\$ 2,062,169.43	\$ 276,794.81	\$ 2,338,964.24
Total Operating Revenues	<u>2,062,169.43</u>	<u>276,794.81</u>	<u>2,338,964.24</u>
<u>Operating Expenses</u>			
Solid Waste Services	1,968,103.19		1,968,103.19
Depreciation	67,128.42		67,128.42
Total Operating Expenses	<u>2,035,231.61</u>		<u>2,035,231.61</u>
Operating Income (Loss)	<u>26,937.82</u>	<u>276,794.81</u>	<u>303,732.63</u>
<u>Nonoperating Revenues (Expenses)</u>			
Miscellaneous	14,017.49		14,017.49
Interest Revenue	38.65	29.78	68.43
Total Nonoperating Revenues (Expenses)	<u>14,056.14</u>	<u>29.78</u>	<u>14,085.92</u>
Income (Loss) Before Transfers	<u>40,993.96</u>	<u>276,824.59</u>	<u>317,818.55</u>
<u>Operating Transfers</u>			
Transfers In	28,834.17		28,834.17
Total Operating Transfers	<u>28,834.17</u>		<u>28,834.17</u>
Change in Net Position	69,828.13	276,824.59	346,652.72
Net Position - Beginning of Year, as Restated (Note 15)	<u>650,507.69</u>	<u>(244,479.09)</u>	<u>406,028.60</u>
Net Position - End of Year	<u>\$ 720,335.82</u>	<u>\$ 32,345.50</u>	<u>\$ 752,681.32</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2020

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from Customers	\$ 2,028,424.96	\$ 270,808.02	\$ 2,299,232.98
Payments for Goods and Services	(2,199,380.79)	(250,000.00)	(2,449,380.79)
Net Cash Provided (Used) by Operating Activities	<u>(170,955.83)</u>	<u>20,808.02</u>	<u>(150,147.81)</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Operating Contribution from County	<u>28,834.17</u>		<u>28,834.17</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>28,834.17</u>		<u>28,834.17</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition of Capital Assets	(479,159.76)		(479,159.76)
Issuance of Capital Lease Payables	479,159.76		479,159.76
Principal Payments Made on Capital Lease Payable	(101,866.49)		(101,866.49)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(101,866.49)</u>		<u>(101,866.49)</u>
<u>Cash Flows from Investing Activities</u>			
Interest Earned	38.65	29.78	68.43
Miscellaneous Revenues	14,017.49		14,017.49
Net Cash Provided (Used) by Investing Activities	<u>14,056.14</u>	<u>29.78</u>	<u>14,085.92</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(229,932.01)	20,837.80	(209,094.21)
Cash and Cash Equivalents - Beginning of Year	<u>508,309.16</u>	<u>240,445.80</u>	<u>748,754.96</u>
Cash and Cash Equivalents - End of Year	<u>\$ 278,377.15</u>	<u>\$ 261,283.60</u>	<u>\$ 539,660.75</u>

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

	Solid Waste Fund	Other Enterprise Fund	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ 26,937.82	\$ 276,794.81	\$ 303,732.63
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities</u>			
Depreciation Expense	67,128.42		67,128.42
Change in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(33,744.47)	(5,986.79)	(39,731.26)
(Increase)/Decrease in Amounts Due to Employees	(250,000.00)	(250,000.00)	(500,000.00)
Increase/(Decrease) in Accounts Payable	20,845.33		20,845.33
Increase/(Decrease) in Salaries Payable	7,150.09		7,150.09
Increase/(Decrease) in Compensated Absences	(9,273.02)		(9,273.02)
Total Adjustments	<u>(197,893.65)</u>	<u>(255,986.79)</u>	<u>(453,880.44)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (170,955.83)</u>	<u>\$ 20,808.02</u>	<u>\$ (150,147.81)</u>

Statement of Fiduciary Net Position
September 30, 2020

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,189,548.97	\$ 199,335.42
Total Assets	<u>1,189,548.97</u>	<u>199,335.42</u>
<u>Liabilities</u>		
Payables (Note 8)	<u>329,422.08</u>	199,335.42
Total Liabilities	<u>329,422.08</u>	<u>\$ 199,335.42</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>860,126.89</u>	
Total Net Position	<u>\$ 860,126.89</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, 2020***

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Excess Land Sales	\$ 108,593.87
Law Library Fees	9,325.64
Interest	27.66
Other	246,444.85
Total Additions	<u>364,392.02</u>
<u>Deductions</u>	
Administrative Expenses	<u>328,452.91</u>
Total Deductions	<u>328,452.91</u>
Change in Net Position	35,939.11
Total Net Position - Beginning of Year	<u>824,187.78</u>
Total Net Position - End of Year	<u><u>\$ 860,126.89</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads, and bridges as well as Coronavirus Relief Funds.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditure of the seven-cent State gasoline revenue for the construction, improvement, maintenance and supervision of highways, bridges and streets.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes and other revenues for the property reappraisal and appraisal update programs.

The Commission reports the following major enterprise fund:

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

Governmental Fund Types

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

The Commission reports the following proprietary fund type:

- ◆ **Other Enterprise Fund** – This fund is used to account for collection of tonnage fees at any private landfill in the county as provided by Act Number 95-505, Acts of Alabama.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

1. Deposits and Investments

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

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

Investments consist of certificates of deposit and are reported at cost.

2. Receivables

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

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, and revenues collected by the State and shared with the Commission.

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

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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

4. Restricted Assets

Included in cash on the balance sheet are assets which are restricted. Certain resources set aside for general obligation warrants and gasoline tax warrants are considered restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

5. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Infrastructure – Roads	\$250,000	20 years
Infrastructure – Bridges	\$ 50,000	40 years
Buildings and Improvements	\$ 50,000	20 – 50 years
Equipment and Furniture	\$ 5,000	5 – 10 years

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

6. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position for governmental funds. Deferred outflows of resources are defined as a consumption of net position by the Commission 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 and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Warrant discounts are deferred and amortized over the life of the debt. Warrants payable are reported gross with separate line items from the applicable warrant discount. Warrant issuance costs are reported as an expense in the period incurred.

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

8. Compensated Absences

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

Annual Leave

Each employee shall be entitled to annual leave each calendar year according to an established schedule. Annual leave shall not accumulate from year to year and must be taken during the calendar year accumulated.

Sick Leave

Each employee shall have a period of one (1) day sick leave each month. Any employee who shall terminate his or her service with the Walker County Commission shall be entitled, upon the effective day of such termination, to receive a lump sum payment in an amount equal to all unused sick leave days up to a maximum of 90 days.

The Commission uses the vested 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 as well as other employees who are expected to become eligible in the future to receive such payments.

Notes to the Financial Statements

For the Year Ended September 30, 2020

9. Deferred Inflows of Resources

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

10. Net Position/Fund Balances

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

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

Fund balance is reported in governmental funds on the fund financial statements and is required to be classified for accounting and reporting purposes into the following fund balance categories.

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ◆ **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 resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal resolution to remove or modify the restraint.
- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission delegated the Commission Chairman or the County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in one of the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

A formal action or resolution by the Commission is required to be taken to establish, modify or rescind a committed fund balance. The Commission also has a policy to authorize amounts for a specific purpose as assigned fund balance. The Commission considered restricted fund balance amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed, assigned, or unassigned fund balances are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the balances of the Commission's OPEB Plan (the "OPEB Plan") and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Commission's OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable with the benefit terms. The OPEB Plan has no financial accounting asset, which is defined as assets held in a separate Trust established for the sole purpose of providing benefits to retirees and their beneficiaries.

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 and Reappraisal Fund with the exception of certain ad valorem taxes that are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting and for salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. All other governmental funds budget on a basis of accounting consistent with GAAP, except for capital projects funds, which adopt project-length budgets. All appropriations lapse at fiscal year-end.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The present statutory basis for county budgeting operation 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 respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

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

Note 3 – Deposits and Investments

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 4 – Receivables

On September 30, 2020, receivables for the Commission’s individual major funds, other governmental funds in the aggregate and business-type activities, including the applicable allowances for uncollectible accounts, were as follows:

	Accounts Receivable	Due from Other Governmental Units	Total Receivables
<u>Governmental Activities:</u>			
General Fund	\$274,602.40	\$ 451,263.41	\$ 725,865.81
Gasoline Tax Fund	33,144.46	111,347.00	144,491.46
Other Governmental Funds		879,985.21	879,985.21
Total Governmental Activities	<u>307,746.86</u>	<u>1,442,595.62</u>	<u>1,750,342.48</u>
<u>Business-Type Activities:</u>			
Solid Waste Fund:			
Customer Receivables	56,240.79		56,240.79
Less: Allowance for Doubtful Accounts	(22,496.32)		(22,496.32)
Other Enterprise Fund	21,061.90		21,061.90
Net Receivables Business-Type Activities	<u>\$ 54,806.37</u>	<u>\$</u>	<u>\$ 54,806.37</u>

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2020, the Commission has unexpended reappraisal funds of \$283,026.14 and grant funds received prior to meeting eligibility requirements of \$29,834.00 which were reported as unearned revenues.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019 (*)	Additions	Retirements	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements – Inexhaustible	\$ 1,350,144.00	\$	\$	\$ 1,350,144.00
Total Capital Assets, Not Being Depreciated	1,350,144.00			1,350,144.00
Capital Assets Being Depreciated:				
Infrastructure – Bridges	17,713,022.00			17,713,022.00
Land Improvements – Exhaustible	119,663.00			119,663.00
Buildings and Improvements	22,018,092.49			22,018,092.49
Equipment and Furniture	2,087,292.61			2,087,292.61
Construction Equipment	3,509,345.78	85,595.00	(7,475.00)	3,587,465.78
Motor Vehicles	5,418,661.00	252,707.29	(111,571.29)	5,559,797.00
Assets Under Capital Lease	287,611.84		(57,522.40)	230,089.44
Total Capital Assets Being Depreciated	51,153,688.72	338,302.29	(176,568.69)	51,315,422.32
Less Accumulated Depreciation for:				
Infrastructure – Bridges	(7,493,282.31)	(364,010.19)		(7,857,292.50)
Land Improvements – Exhaustible	(41,717.04)	(2,230.18)		(43,947.22)
Buildings and Improvements	(11,191,599.37)	(434,829.55)		(11,626,428.92)
Equipment and Furniture	(1,551,178.12)	(17,564.50)		(1,568,742.62)
Construction Equipment	(2,823,280.52)	(58,677.91)	5,980.00	(2,875,978.43)
Motor Vehicles	(3,590,348.81)	(247,532.56)	89,257.03	(3,748,624.34)
Assets Under Capital Lease	(207,080.67)	(36,814.34)	41,416.12	(202,478.89)
Total Accumulated Depreciation	(26,898,486.84)	(1,161,659.23)	136,653.15	(27,923,492.92)
Total Capital Assets Being Depreciated, Net	24,255,201.88	(823,356.94)	(39,915.54)	23,391,929.40
Governmental Activities Capital Assets, Net	\$ 25,605,345.88	\$ (823,356.94)	\$ (39,915.54)	\$ 24,742,073.40
(*) Beginning balance was restated by a net amount of \$477,307.06 due to the Solid Waste Fund being reported as a Business-Type Activity beginning 10/01/2019.				

Notes to the Financial Statements
For the Year Ended September 30, 2020

	Balance 10/01/2019 (*)	Additions	Retirements	Balance 09/30/2020
Business-Type Activities:				
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 8,491.65	\$	\$	\$ 8,491.65
Equipment and Furniture	106,706.00			106,706.00
Construction Equipment	113,847.00			113,847.00
Motor Vehicles	1,899,756.13			1,899,756.13
Assets Under Capital Lease		479,159.76		479,159.76
Total Capital Assets Being Depreciated	2,128,800.78	479,159.76		2,607,960.54
Less Accumulated Depreciation for:				
Buildings and Improvements	(5,138.61)	(174.19)		(5,312.80)
Equipment and Furniture	(85,364.80)			(85,364.80)
Construction Equipment	(91,077.60)			(91,077.60)
Motor Vehicles	(1,469,912.71)	(28,621.45)		(1,498,534.16)
Assets Under Capital Lease		(38,332.78)		(38,332.78)
Total Accumulated Depreciation	(1,651,493.72)	(67,128.42)		(1,718,622.14)
Business-Type Activities Capital Assets, Net	\$ 477,307.06	\$412,031.34	\$	\$ 889,338.40
(*) Beginning balance was restated by a net amount of \$477,307.06 due to Solid Waste Fund being reported as a Business-Type Activity beginning 10/01/2019.				

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 399,815.62
Public Safety	207,480.14
Highway and Roads	523,594.24
Health	30,769.23
Total Depreciation Expense – Governmental Activities	\$1,161,659.23

	Current Year Depreciation Expense
Business-Type Activities:	
Sanitation	\$67,128.42
Total Depreciation Expense – Business-Type Activities	\$67,128.42

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active members	55,222
Post-DROP participants who are still in active service	98
Total	93,986

Notes to the Financial Statements
For the Year Ended September 30, 2020

The Commission membership includes approximately 393 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	141
Vested Inactive Members	8
Non-vested Inactive Members	47
Active members	197
Post-DROP participants who are still in active service	0
Total	<u>393</u>

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the Commission's active employee contribution rate was 5.87 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 9.10 percent of covered employee payroll.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The Commission's contractually required contribution rate for the year ended September 30, 2020, was 9.83% of pensionable pay for Tier 1 employees, and 7.04% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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 \$569,736.71 for the year ended September 30, 2020.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total Pension Liability as of September 30, 2018	\$28,788,268	\$28,231,278
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for the Period October 1, 2018 – September 30, 2019	505,850	505,850
(d) Transfers Among Employers		17,742
(e) Actual Benefit Payments and Refunds for the Period October 1, 2018 – September 30, 2019	(2,177,058)	(2,177,058)
(f) Total Pension Liability as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$29,249,940</u>	<u>\$28,667,804</u>
(g) Difference between Expected and Actual		\$ (582,136)
(h) Less Liability Transferred for Immediate Recognition		<u>17,742</u>
(i) Experience (Gain)/Loss=(g) - (h)		<u>\$ (599,878)</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Actuarial Assumptions

The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25%-5.00%
Investment Rate of Return (*)	7.70%

(*) Net of pension plan investment expense,
including inflation

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2018	\$28,788,268	\$23,015,129	\$ 5,773,139
Changes for the Year:			
Service Cost	505,850		505,850
Interest	2,132,880		2,132,880
Changes of Assumptions Differences Between Expected and Actual Experience	(599,878)		(599,878)
Contributions – Employer		509,845	(509,845)
Contributions – Employee		373,388	(373,388)
Net Investment Income		574,600	(574,600)
Benefit Payments, Including Refunds of Employee Contributions	(2,177,058)	(2,177,058)	
Transfers Among Employers	17,742	17,742	
Net Changes	(120,464)	(701,483)	(581,019)
Balances at September 30, 2019	\$28,667,804	\$22,313,646	\$ 6,354,158

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

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Commission’s Net Pension Liability	\$9,398,647	\$6,354,158	\$3,763,173

Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor’s report dated August 27, 2020, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2020, the Commission recognized pension expense of \$553,376.00. At September 30, 2020, 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	\$ 18,196.00	\$1,033,553.00
Changes of assumptions	340,335.00	
Net difference between projected and actual earnings on pension plan investments	227,150.00	
Employer contributions subsequent to the measurement date	569,736.71	
Total	<u>\$1,155,417.71</u>	<u>\$1,033,553.00</u>

The \$569,736.71 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2021	\$(272,594)
2022	\$(217,618)
2023	\$ (49,020)
2024	\$ 91,360
2025	\$ 0
Thereafter	\$ 0

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provision are as follows: 25 years of service at any age; or age 60 and 10 years of service (called “Tier 1” members). Employees hired on and after January 1, 2013 (called “Tier 2” members), are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

The Commission contributes 80% of the cost of pre-Medicare medical premiums and 20% of the cost of Medicare eligible medical premiums. Once a retiree dies, a dependent is moved to COBRA.

Employees Covered by Benefit Terms

At September 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Active employees	196
Total	<u>212</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Total OPEB Liability

The Commission's total OPEB Liability of \$8,639,927 as of the reporting date of September 30, 2020, was measured as of September 30, 2019, and was determined by an actuarial valuation as September 30, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB Liability in the September 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in measurement, unless otherwise specified:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases, including wage inflation	3.25% - 5.00%
Municipal bond index rate:	
Prior measurement Date	4.18%
Measurement Date	2.66%
Healthcare cost trends:	
Pre-Medicare Medical and Prescription Drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare Medical and Prescription Drug	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021

The discount rate used to measure the total OPEB liability was based on the September average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Postretirement mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increase used in the September 30, 2019, valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015 and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 29, 2016.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2019, valuation were based on a review of recent plan experience done concurrently with the September 30, 2019, valuation.

Changes in the Total OPEB Liability

Balances at September 30, 2018	\$10,458,713
Changes for the Year:	
Service Cost at the End of the Year (*)	517,271
Interest on the Total OPEB Liability and Cash Flows	432,375
Difference between Expected and Actual Experience	(3,745,318)
Changes of Assumptions or Other Inputs	1,208,894
Benefit Payments	(232,008)
Net Changes	(1,818,786)
Balances at September 30, 2019	\$ 8,639,927
(*) The service cost includes interest for the year.	

There are no changes in benefit terms since the Prior Measurement Date.

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

The following presents the total OPEB liability of the Commission, determined using the discount rate of 2.66%, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage point higher (3.66%) than the current discount rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Commission's Total OPEB Liability	\$9,839,216	\$8,639,927	\$7,625,853

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

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

	1% Decrease	Current Trend	1% Increase
Commission's Total OPEB Liability	\$7,372,093	\$8,639,927	\$10,226,125

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

For the year ended September 30, 2020, the Commission recognized OPEB expense of \$428,388. At September 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,595.00	\$3,331,013.00
Changes in assumptions or other inputs	1,075,167.00	1,494,088.00
Employer contributions subsequent to the measurement date	220,590.20	
Total	\$1,321,352.20	\$4,825,101.00

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Year Ending:	
September 30, 2020	\$ (521,258)
2021	\$ (521,258)
2022	\$ (521,258)
2023	\$ (521,258)
2024	\$ (521,258)
Thereafter	\$(1,118,049)

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 8 – Payables

On September 30, 2020, payables for the Commission’s individual major funds and nonmajor governmental and fiduciary funds in the aggregate are as follows:

	Accounts Payable	Due to Other Governments	Other	Total
<u>Governmental Activities:</u>				
General Fund	\$186,633.31	\$	\$	\$186,633.31
Gasoline Tax Fund	18,792.57			18,792.57
Reappraisal	8,170.48			8,170.48
Other Governmental Funds	49,714.54			49,714.54
Total Governmental Funds	263,310.90			263,310.90
<u>Business-Type Activities:</u>				
Solid Waste Fund	21,866.36			21,866.36
Total Business-Type Activities	21,866.36			21,866.36
<u>Fiduciary Funds:</u>				
Private-Purpose Trust Funds	139,253.39	190,168.69		329,422.08
Agency Funds	9,021.21	88,448.12	101,866.09	199,335.42
Total Fiduciary Funds	\$148,274.60	\$278,616.81	\$101,866.09	\$528,757.50

Note 9 – Lease Obligations

Capital Lease

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$230,089.44 for governmental activities and \$479,159.76 for business-type activities at September 30, 2020. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days’ written notice and a payment of a pro rata share of the current year’s lease payments. Until that time, the leased equipment will be identified separately on the balance sheet.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2020.

Fiscal Year Ending	Governmental Activities	Business-Type Activities
September 30, 2021	\$49,846.84	\$101,866.49
2022		101,866.49
2023		101,866.49
2024		101,866.49
Total Principal and Interest	49,846.84	407,465.96
Less: Amount Representing Interest	(785.10)	(30,172.69)
Present Value of Net Minimum Lease Payments	\$49,061.74	\$377,293.27

Note 10 – Long-Term Debt

In May 2013, General Obligation Warrants in the amount of \$10,945,000 were issued to refund the outstanding General Obligation Convertible Warrant, Series 2002 and the outstanding General Obligation Warrants, Series 2003.

In May 2013, Public Building, Road and Bridge Tax Anticipation Warrants in the amount of \$6,935,000 were issued to refund outstanding Public Building, Road and Bridge Tax Anticipation Warrants, Series 2002, outstanding Public Building, Road and Bridge Tax Anticipation Warrants, Series 2003, and the Public Building, Road and Bridge Tax Anticipation Warrants, Series 2004.

In May 2015, the Commission entered into a capital lease contract in the amount of \$376,560.00 for the purchase of vehicles for the Sheriff’s Department. In the event of default, the Lessor may (a) declare the Settlement Value due as to any or all vehicles, (b) exercise all rights of a secured creditor under the Uniform Commercial Code, (c) perform any obligation Lessee has failed to perform, in which case Lessee will reimburse Lessor’s related costs and expenses, and (d) exercise any other rights available to Lessor under law or equity.

In July 2019, the Commission issued a note from direct borrowing in the amount of \$394,436.00 for the purchase of vehicles for the Sheriff’s department.

In December 2019, the Commission entered into two capital leases contracts in the amount of \$479,159.76 for the purchase of equipment for the Solid Waste Department. In the event of default, the Lessor may declare the entire balance of the unpaid lease payments for the then current original term or renewal term immediately due and payable; sue for and receive all lease payments and any other payments then accrued or accelerated under this lease; and/or charge lessee interest on all monies due.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The following is a summary of long-term debt obligations for the Commission for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019 (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
2013 General Obligation Warrants	\$ 9,765,000.00	\$	\$ (615,000.00)	\$ 9,150,000.00	\$ 635,000.00
2013 Public Building, Road and Bridge Warrants	6,245,000.00		(365,000.00)	5,880,000.00	375,000.00
Less: Unamortized Discount	(62,637.00)		4,564.00	(58,073.00)	(4,564.00)
Total Warrants Payable, Net	15,947,363.00		(975,436.00)	14,971,927.00	1,005,436.00
Other Liabilities:					
Note from Direct Borrowing	366,392.03		(73,303.04)	293,088.99	76,061.73
Capital Leases Payable	126,608.40		(77,546.66)	49,061.74	49,061.74
Other Postemployment Benefits Payable	10,458,713.00		(1,818,785.00)	8,639,928.00	
Net Pension Liability	5,773,139.00	581,019.00		6,354,158.00	
Estimated Liability for Compensated Absences	685,366.01	64,853.76		750,219.77	75,021.98
Total Other Liabilities	17,410,218.44	645,872.76	(1,969,634.70)	16,086,456.50	200,145.45
Governmental Activities Long-Term Liabilities	\$33,357,581.44	\$645,872.76	\$(2,945,070.70)	\$31,058,383.50	\$1,205,581.45
(*) Beginning balance was restated by \$181,723.54 due to Solid Waste Fund being reported as a Business-Type Activity beginning 10/01/2019.					

	Debt Outstanding 10/01/2019 (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Business-Type Activities:					
Other Liabilities:					
Capital Leases Payable	\$	\$479,159.76	\$(101,866.49)	\$377,293.27	\$ 89,981.67
Estimated Liability for Compensated Absences	181,723.54		(9,155.65)	172,567.89	17,256.79
Total Other Liabilities	181,723.54	479,159.76	(111,022.14)	549,861.16	107,238.46
Business-Type Activities Long-Term Liabilities	\$181,723.54	\$479,159.76	\$(111,022.14)	\$549,861.16	\$107,238.46
(*) Beginning balance was restated by \$181,723.54 due to Solid Waste Fund being reported as a Business-Type Activity starting 10/1/2019.					

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the General Fund and debt service funds. The capital lease liability and note from direct borrowing for the governmental activities will be liquidated by the General Fund. The capital lease liability and compensated absences liability attributable to the business-type activities will be liquidated by the Solid Waste Fund.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 63% has been paid by the General Fund, 21% by the Gasoline Tax Fund, 8% by the Reappraisal Fund and 8% by Other Governmental Funds.

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

Fiscal Year Ending	Governmental Activities						Total Principal and Interest Requirements to Maturity
	General Obligation Warrants		Capital Lease Contracts Payable		Note from Direct Borrowing		
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2021	\$ 1,010,000.00	\$ 491,131.26	\$49,061.74	\$785.10	\$ 76,061.73	\$10,158.27	\$ 1,637,198.10
2022	1,040,000.00	460,381.26			78,924.24	7,295.76	1,586,601.26
2023	1,070,000.00	429,575.01			81,894.48	4,325.52	1,585,795.01
2024	1,105,000.00	397,793.76			56,208.54	1,227.86	1,560,230.16
2025	1,140,000.00	363,406.26					1,503,406.26
2026-2030	6,305,000.00	1,208,528.14					7,513,528.14
2031-2033	3,360,000.00	155,437.50					3,515,437.50
Totals	\$15,030,000.00	\$3,506,253.19	\$49,061.74	\$785.10	\$293,088.99	\$23,007.41	\$18,902,196.43

Fiscal Year Ending	Business-Type Activities		Total Principal and Interest Requirements to Maturity
	Capital Lease Contracts Payable		
	Principal	Interest	
September 30, 2021	\$ 89,981.67	\$11,884.82	\$101,866.49
2022	92,816.11	9,050.38	101,866.49
2023	95,739.84	6,126.65	101,866.49
2024	98,755.65	3,110.84	101,866.49
Totals	\$377,293.27	\$30,172.69	\$407,465.96

Pledged Revenues

In May 2013, Public Building, Road and Bridge Tax Anticipation Refunding Warrants in the amount of \$6,935,000.00 were issued to refund outstanding Public Building, Road and Bridge Tax Anticipation Warrants, Series 2002, outstanding Public Building, Road and Bridge Tax Anticipation Warrants, Series 2003, and the Public Building, Road and Bridge Tax Anticipation Warrants, Series 2004. The Commission pledged to repay these warrants from the County's portion of the proceeds of the special road and bridge ad valorem tax levied by the County. Future revenues of \$7,328,493.75 are pledged to repay the principal and interest on the warrants as of September 30, 2020. Proceeds of the special road and bridge ad valorem tax in the amount of \$2,024,715.22 were received by the Commission in the fiscal year ended September 30, 2020, of which \$570,387.50 were used to pay principal and interest on the warrants. This represents 28.17% of the pledged funds received by the Commission. The warrants mature during the 2033 fiscal year.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per 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 remuneration for each class of employee which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

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

The Commission has employee health insurance coverage through the Local Government Health Insurance Plan, administered by the State Employee's Health Insurance Board (SEHIB). They participate in a plan administered by BlueCross/Blue Shield which functions as a public risk entity 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 experience, considering any remaining fund balance on hand available for claims.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 12 – Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	Transfers Out		Totals
	General Fund	Other Governmental Funds	
Transfers In:			
General Fund	\$	\$ 61,861.35	\$ 61,861.35
Gasoline Tax Fund	1,641,261.29	325,000.00	1,966,261.29
Reappraisal Fund	17,646.04		17,646.04
Other Governmental Funds	1,535,329.25		1,535,329.25
Total Governmental Funds	3,194,236.58	386,861.35	3,581,097.93
Solid Waste Fund	28,834.17		28,834.17
Total Business-Type Funds	28,834.17		28,834.17
Totals	\$3,223,070.75	\$386,861.35	\$3,609,932.10

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

Note 13 – Related Organizations

A majority of the Board of the Walker County E-911 Board, the Housing Authority of Walker County and the Walker County Industrial Development Authority are appointed by the Walker County Commission. The County Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for the agencies and the agencies are not considered part of the Commission’s financial reporting entity. The agencies are considered a related organization of the County Commission.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 14 – Tax Abatements

The Walker County Commission enters into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992 (*Code of Alabama 1975*, Section 40-9 B-1 et. seq.). Under the Act, localities may grant property tax abatements for all state and local noneducational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Walker County. These programs have the stated purpose of increasing business activity and employment in the County.

The Walker County Commission is subject to tax abatements granted by the Industrial Development Board of Jasper. For fiscal year ended September 30, 2020, total property taxes abated were \$141,277.50, including the following tax abatement agreements that exceeded 10 percent of the total amount abated:

- ◆ A 22 percent property tax abatement to a business involved in manufacturing components for vehicles, for increasing the size of its facilities and increasing employment. The abatement amounted to \$31,464.54.
- ◆ A 10 percent property tax abatement to a business involved in manufacturing components for vehicles, for increasing the size of its facilities and increasing employment. The abatement amounted to \$14,334.12.
- ◆ A 61 percent property tax abatement to a business involved in manufacturing components for vehicles, for increasing the size of its facilities and increasing employment. The abatement amounted to \$85,531.14.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 15 – Restatement

During the fiscal year ended September 30, 2020, the Solid Waste Fund and the Solid Waste Tonnage Fee Fund were converted to enterprise funds. In past years, the Solid Waste Activities were not self-sustaining, so the activity was combined with the General Fund. This resulted in a restatement of net position and fund balance. The impact of the restatements on the fund balances/net position as previously reported is as follows:

	General Fund	Gasoline Fund	Other Governmental Funds	Total
Fund Balance, September 30, 2019, as Previously Reported	\$6,320,359.90	\$598,162.30	\$4,613,511.31	\$11,532,033.51
Effect of Restatement	(354,924.17)			(354,924.17)
Fund Balance, September 30, 2019, as Restated	<u>\$5,965,435.73</u>	<u>\$598,162.30</u>	<u>\$4,613,511.31</u>	<u>11,177,109.34</u>
Governmental Activities Net Position, September 30, 2019, as Previously Reported				1,927,322.68
Effect of Restatement				(650,507.69)
Governmental Activities Net Position, September 30, 2019, as Restated				<u>\$ 1,276,814.99</u>

	Total
Business-Type Activities Net Position, September 30, 2019, as Previously Reported	\$
<u>Enterprise Funds:</u>	
Solid Waste Fund Conversion	650,507.69
Solid Waste Tonnage Fee Fund Conversion	<u>(244,479.09)</u>
Business-Type Activities Net Position, September 30, 2019, as Restated	<u>\$ 406,028.60</u>

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Required Supplementary Information

***Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2020***

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 505,850	\$ 546,043	\$ 599,969	\$ 588,426	\$ 600,304	\$ 586,167
Interest	2,132,880	2,149,123	2,105,087	2,094,427	2,031,579	1,978,329
Difference between expected and actual experience	(599,878)	(639,781)	25,370	(552,108)	86,586	
Changes of assumptions		142,570		880,481		
Benefit payments, including refunds of employee contributions	(2,177,058)	(2,028,384)	(2,060,590)	(1,871,702)	(1,994,052)	(1,803,684)
Transfers among employers	17,742	(126,109)	(117,742)	(62,998)		
Net change in total pension liability	(120,464)	43,462	552,094	1,076,526	724,417	760,812
Total pension liability - beginning	28,788,268	28,744,806	28,192,712	27,116,186	26,391,769	25,630,957
Total pension liability - ending (a)	\$ 28,667,804	\$ 28,788,268	\$ 28,744,806	\$ 28,192,712	\$ 27,116,186	\$ 26,391,769
Plan fiduciary net position						
Contributions - employer	\$ 509,845	\$ 508,130	\$ 562,367	\$ 693,056	\$ 577,428	\$ 557,215
Contributions - employee	373,388	344,644	353,139	378,241	347,643	354,994
Net investment income	574,600	2,004,692	2,604,254	1,978,188	238,582	2,255,153
Benefit payments, including refunds of employee contributions	(2,177,058)	(2,028,384)	(2,060,590)	(1,871,702)	(1,994,052)	(1,803,684)
Transfers among employers	17,742	(126,109)	(117,742)	(62,998)	83,375	(3,292)
Net change in plan fiduciary net position	(701,483)	702,973	1,341,428	1,114,785	(747,024)	1,360,386
Plan fiduciary net position - beginning	23,015,129	22,312,156	20,970,728	19,855,943	20,602,967	19,242,581
Plan fiduciary net position - ending (b)	\$ 22,313,646	\$ 23,015,129	\$ 22,312,156	\$ 20,970,728	\$ 19,855,943	\$ 20,602,967
Commission's net pension liability - ending (a) - (b)	\$ 6,354,158	\$ 5,773,139	\$ 6,432,650	\$ 7,221,984	\$ 7,260,243	\$ 5,788,802
Plan fiduciary net position as a percentage of the total pension liability	77.84%	79.95%	77.62%	74.38%	73.23%	78.07%
Covered payroll (*)	\$ 6,115,063	\$ 5,895,487	\$ 6,498,321	\$ 7,194,483	\$ 6,631,850	\$ 6,828,001
Commission's net pension liability as a percentage of covered payroll	103.91%	97.92%	98.99%	100.38%	109.48%	84.78%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

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

***Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2020***

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 569,737	\$ 509,845	\$ 508,130	\$ 562,367	\$ 693,056	\$ 577,428	\$ 557,215
Contributions in relation to the actuarially determined contribution (*)	\$ 569,737	\$ 509,845	\$ 508,130	\$ 562,367	\$ 693,056	\$ 577,428	\$ 557,215
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 6,264,117	\$ 6,115,063	\$ 5,895,487	\$ 6,498,321	\$ 7,194,483	\$ 6,631,850	\$ 6,828,001
Contributions as a percentage of covered payroll	9.10%	8.34%	8.62%	8.65%	9.63%	8.71%	8.16%

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

(**) Employer's covered payroll for fiscal year 2020 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 2020 were based on the September 30, 2017, actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 through September 30, 2020:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.6 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

***Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability
For the Year Ended September 30, 2020***

	2019	2018	2017
Total OPEB liability			
Service Cost	\$ 517,271	\$ 579,452	\$ 655,625
Interest	432,375	378,044	320,187
Difference between expected and actual experience	(3,745,318)	11,158	26,095
Changes of assumptions	1,208,894	(990,344)	(1,123,979)
Benefit payments, including refunds of employee contribution	(232,008)	(216,226)	(216,774)
Net change in total OPEB liability	(1,818,786)	(237,916)	(338,846)
Total OPEB liability - beginning	10,458,713	10,696,629	11,035,475
Total OPEB liability - ending (a)	<u>\$ 8,639,927</u>	<u>\$ 10,458,713</u>	<u>\$ 10,696,629</u>
Covered-employee payroll (*)	\$ 6,097,562	\$ 6,439,036	\$ 6,439,036
Commission's Total OPEB Liability as a percentage of covered-employee payroll	141.69%	162.43%	166.12%

Notes to Schedule:

Benefit Changes . There were no changes of benefit terms for the year ended September 30, 2021.

Changes in Assumptions . The discount rate as of September 30, 2018, was 4.18% and it changed to 2.66% as of September 30, 2019.

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

Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2020

	2020	2019	2018
Actuarially determined contribution (*)	\$ 220,590	\$ 204,917	\$ 273,787
Contributions in relation to the actuarially determined contribution	<u>\$ 220,590</u>	<u>\$ 204,917</u>	<u>\$ 273,787</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered-employee payroll	\$ 6,097,562	\$ 6,097,562	\$ 6,439,036
Contributions as a percentage of covered-employee payroll	3.62%	3.36%	4.25%

(*) There are no actuarially determined contributions. The insurance premiums paid by the Commission were used instead.

Notes to Schedule

Valuation Date: September 30, 2019

Actuarially determined contribution rates are calculated as of September 30, of the last day of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent closed
Inflation	2.75% annually
Salary increases, including wage inflation	3.25% - 5.00%
Municipal Bond Index Rate:	
Prior Measurement Date	4.18%
Measurement Date	2.66%
Healthcare cost trend rates;	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021
Retirement age	25 years of service at any age or attainment of age 60 and 10 years of service; employees hired on and after January 1, 2013 are not eligible to retire until age 62 with 10 years of service.
Mortality Rates:	
Before Retirement	RP-2000 employee base rates projected to 2020 using Scale BB. Rates are adjusted of 70% for males and 50% for females.
After Retirement	RP-2000 employee base rates projected to 2020 using Scale BB. Rates are adjusted 125% for males and 120% for females.
After Retirement (Disabled)	RP-2000 employee base rates projected to 2020 using Scale BB. Rates are adjusted by 130% for females at all ages.

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 6,250,100.00	\$ 6,250,100.00	\$ 7,207,029.16	(1) (3) \$ 2,350,477.74	\$ 9,557,506.90
Licenses and Permits	1,049,600.00	1,049,600.00	1,429,581.85		1,429,581.85
Intergovernmental	1,115,800.00	1,115,800.00	2,282,701.21	(1) 630,775.25	2,913,476.46
Charges for Services	2,360,170.00	2,360,170.00	2,915,036.70	(1) 194,214.44	3,109,251.14
Miscellaneous	186,918.00	186,918.00	376,567.08	(1) 72,094.37	448,661.45
Total Revenues	10,962,588.00	10,962,588.00	14,210,916.00	3,247,561.80	17,458,477.80
Expenditures					
Current:					
General Government	4,433,566.54	4,433,566.54	4,256,773.70	(2) (4) (384,761.65)	4,641,535.35
Public Safety	5,789,185.94	5,789,185.94	6,813,805.21	(4) (194,846.02)	7,008,651.23
Highways and Roads				(4) (1,367,366.97)	1,367,366.97
Health	140,799.00	140,799.00	141,196.37		141,196.37
Welfare	1,000.00	1,000.00			
Culture and Recreation	3,100.00	3,100.00	666.95		666.95
Capital Outlay			232,881.29		232,881.29
Debt Service:					
Principal Retirement	615,000.00	615,000.00	150,849.70		150,849.70
Interest and Fiscal Charges	315,593.76	315,593.76	15,139.38		15,139.38
Total Expenditures	11,298,245.24	11,298,245.24	11,611,312.60	(1,946,974.64)	13,558,287.24
Excess (Deficiency) of Revenues Over Expenditures	(335,657.24)	(335,657.24)	2,599,603.40	1,300,587.16	3,900,190.56
Other Financing Sources (Uses)					
Transfers In			371,184.99	(309,323.64)	61,861.35
Sale of Capital Assets			19,257.32		19,257.32
Proceeds for Debt Issued			(3,223,070.75)		(3,223,070.75)
Transfers Out			(1,541,620.73)	(5) (1,681,450.02)	(3,223,070.75)
Total Other Financing Sources (Uses)			(1,151,178.42)	(1,990,773.66)	(3,141,952.08)
Net Change in Fund Balances	(335,657.24)	(335,657.24)	1,448,424.98	(690,186.50)	758,238.48
Fund Balances - Beginning of Year, as Restated	335,657.24	335,657.24	1,810,741.49	(6) 4,154,694.24	5,965,435.73
Fund Balances - End of Year	\$	\$	\$ 3,259,166.47	\$ 3,464,507.74	\$ 6,723,674.21

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

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			
Jail Fund	\$	599,516.56	
Roads and Bridges Fund		2,195,493.79	
ATRIP Fund		8.70	
Severed Materials Fund		1,983.47	
Capital Improvement Fund		419,944.74	
Airport Fund		34,593.07	
Baker Supernumerary Fund		2,301.13	
Guthrie Supernumerary Fund		4,483.68	
			\$ 3,258,325.14
(2) Expenditures			
Jail Fund	\$	(194,846.02)	
Roads and Bridges Fund		(1,367,366.97)	
Capital Improvement Fund		(265,185.48)	
Airport Fund		(48,140.76)	
Baker Supernumerary Fund		(10,697.58)	
Guthrie Supernumerary Fund		(8,967.04)	
			(1,895,203.85)
(3) The Commission recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned (GAAP).			(51,770.79)
(4) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis of accounting.			(10,763.34)
(5) Other Financing Sources, Net			(1,990,773.66)
Net Change in Fund Balance - Budget to GAAP			\$ (690,186.50)
(6) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.			

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020***

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Taxes	\$ 365,976.79	\$ 365,976.79	\$ 367,208.30		\$	\$ 367,208.30
Intergovernmental				(1)	1,233,858.68	1,233,858.68
Miscellaneous	60.00	60.00	0.31	(1)	34,160.09	34,160.40
Total Revenues	<u>366,036.79</u>	<u>366,036.79</u>	<u>367,208.61</u>		<u>1,268,018.77</u>	<u>1,635,227.38</u>
Expenditures						
Current:						
Highways and Roads				(2)	(2,525,862.72)	2,525,862.72
Capital Outlay				(2)	(105,421.00)	105,421.00
Total Expenditures					<u>(2,631,283.72)</u>	<u>2,631,283.72</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>366,036.79</u>	<u>366,036.79</u>	<u>367,208.61</u>		<u>(1,363,264.95)</u>	<u>(996,056.34)</u>
Other Financing Sources (Uses)						
Transfers In				(3)	1,966,261.29	1,966,261.29
Transfers Out			(323,718.04)		323,718.04	
Total Other Financing Sources (Uses)			<u>(323,718.04)</u>		<u>2,289,979.33</u>	<u>1,966,261.29</u>
Net Change in Fund Balances	366,036.79	366,036.79	43,490.57		926,714.38	970,204.95
Fund Balances - Beginning of Year			<u>34,380.47</u>	(4)	<u>563,781.83</u>	<u>598,162.30</u>
Fund Balances - End of Year	<u>\$ 366,036.79</u>	<u>\$ 366,036.79</u>	<u>\$ 77,871.04</u>		<u>\$ 1,490,496.21</u>	<u>\$ 1,568,367.25</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020***

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

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

(1) Revenues			
Gas Tax District 1 Fund	\$	21,168.07	
Gas Tax District 2 Fund		12,073.65	
Gas Tax District 3 Fund		781.35	
Gas Tax District 4 Fund		136.19	
Additional Gasoline Tax Fund		<u>1,233,859.51</u>	\$ 1,268,018.77
(2) Expenses			
Gas Tax District 1 Fund	\$	(499,096.10)	
Gas Tax District 2 Fund		(787,354.41)	
Gas Tax District 3 Fund		(781,399.49)	
Gas Tax District 4 Fund		<u>(563,433.72)</u>	(2,631,283.72)
(3) Other Financing Sources			
Public Highway and Traffic Fund			<u>2,289,979.33</u>
Net Change in Fund Balance - Budget to GAAP			<u>\$ 926,714.38</u>

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

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2020***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 1,007,690.89	\$ 1,007,690.89	\$ 812,790.72	(1) \$ (19,368.35)	\$ 793,422.37
Miscellaneous	7,717.17	7,717.17	4,867.31		4,867.31
Total Revenues	1,015,408.06	1,015,408.06	817,658.03	(19,368.35)	798,289.68
Expenditures					
Current:					
General Government	941,690.89	941,690.89	810,512.15	(2) (5,423.57)	815,935.72
Capital Outlay	66,000.00	66,000.00			
Total Expenditures	1,007,690.89	1,007,690.89	810,512.15	(5,423.57)	815,935.72
Excess (Deficiency) of Revenues Over Expenditures	7,717.17	7,717.17	7,145.88	(24,791.92)	(17,646.04)
Other Financing Sources (Uses)					
Transfer In			17,646.04		17,646.04
Total Other Financing Sources (Uses)			17,646.04		17,646.04
Net Change in Fund Balances	7,717.17	7,717.17	24,791.92	(24,791.92)	
Fund Balances - Beginning of Year			272,496.98	(3) (272,496.98)	
Fund Balances - End of Year	\$ 7,717.17	\$ 7,717.17	\$ 297,288.90	\$ (297,288.90)	\$

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

(1) The Commission budgets for property tax as they are received, rather than on the modified accrual basis.

\$ (19,368.35)

(2) The Commission budgets for salaries and benefits only to the extent they are expected to be paid in the current fiscal period, rather than on the modified accrual basis (GAAP).

(5,423.57)

Net Change in Fund Balance - Budget to GAAP

\$ (24,791.92)

(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 annual budget. This amount differs from the fund balance in the Statement of Revenues, Expenditures and Changes in the Fund Balance (Exhibit 5) because of the cumulative effect of transactions such as those described above.

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Total Federal Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	CY SF PF 16 101	\$ 175,461.00
<u>U. S. Department of Transportation</u>			
<u>Passed Through Alabama Department of Transportation</u>			
Airport Improvement Grant	20.106	3-01-0096-019-2017	95,069.00
Airport Improvement Grant	20.106	3-01-0096-020-2018	38,679.00
Airport Improvement Grant	20.106	3-01-0096-021-2019	691,607.00
Sub-Total Airport Improvement Grant			<u>825,355.00</u>
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	110,077.00
<u>Passed Through Franklin County Commission</u>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	20-FP-PT-003	5,892.04
National Priority Safety Programs	20.616	20-ID-MS-003	3,160.65
Sub-Total Highway Safety Cluster			<u>9,052.69</u>
Total U. S. Department of Transportation			<u>944,484.69</u>
<u>U. S. Department of Treasury</u>			
<u>Passed Through Alabama Department of Finance</u>			
COVID-19 - Coronavirus Relief Fund	21.019	SLT0002-SLT0223	822,761.06
<u>U. S. Department of Homeland Security</u>			
<u>Passed Through Alabama Department of Emergency Management Agency</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4251P	29,736.12
Hazard Mitigation Grant Program	97.039	1971H	89,381.61
Emergency Management Performance Grants	97.042	19EMF	30,552.00
Total U. S. Department of Homeland Security			<u>149,669.73</u>
Total Expenditures of Federal Awards			<u>\$ 2,092,376.48</u>

N/A - Not Available or Not Applicable

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

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2020***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Walker County Commission under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Walker County Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Walker County Commission.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Walker County Commission elected to not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

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Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2020

Commission Members		Term Expires
Hon. Jerry O. Bishop	Chairman	2020
Hon. Jeff Burrough	Member	2020
Hon. Keith Davis	Member	2020
Hon. Ralph Williams	Member	Deceased
Hon. Steven Aderholt	Member	2020
<u>Administrative Personnel</u>		
Robbie Dickerson	Administrator	Indefinite

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

Independent Auditor's Report

Members of the Walker County Commission and County Administrator
Jasper, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Walker County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Walker County Commission's basic financial statements, and have issued our report thereon dated February 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Walker County Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Walker County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Walker County Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-002 to be a material weakness.

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

Compliance and Other Matters

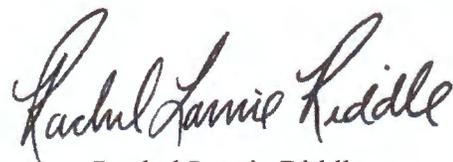
As part of obtaining reasonable assurance about whether the Walker County Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

Walker County Commission's Response to Findings

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

February 15, 2023

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

Independent Auditor's Report

Members of the Walker County Commission and County Administrator
Jasper, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Walker County Commission's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Walker County Commission's major federal programs for the year ended–September 30, 2020. The Walker County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Walker County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Walker County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Walker County Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Walker County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

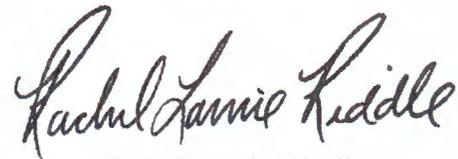
Management of the Walker County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Walker County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Walker County Commission's internal control over compliance.

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

February 15, 2023

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section I – Summary of Examiner's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

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

Unmodified

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

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

 Yes X No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

 Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2020-002
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

Internal controls were not in place to ensure capital leases were recorded correctly on the financial statements.

Finding

The Governmental Accounting Standards Board (GASB) establishes financial reporting principles for State and Local Governments. GASB Statement Number 62 – ***Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*** incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance, including guidance that explains the accounting and reporting of capital leases by the lessees. The lessee should record a capital lease as an asset and an obligation at an amount equal to the present value at the beginning of the lease term. During the lease term, each minimum lease payment should be allocated between a reduction of the obligation and interest expense. The Walker County Commission’s business-type activities were materially misstated due to amounts not being classified as capital leases in the long-term debt account. The Commission purchased two pieces of equipment for the Solid Waste Department through a capital lease for \$479,159.76. The capital lease obligation was not recorded in the long-term debt account and the principal payments were improperly coded as capital outlay. Policies and procedures were not in place to ensure all financial information was recorded prior to the preparation of the financial statements. As a result, the Commission's financial statements did not include all activity of the Commission and the financial statements were materially misstated. Once brought to management’s attention, the Commission adjusted their financial statements to correct the identified misstatements.

Recommendation

The Walker County Commission should implement policies and procedures to ensure all financial information is properly recorded in the financial statements.

Views of Responsible Officials of the Auditee

The above information believed to have been shared with the County’s accountant via email. At this time both the accountant and Commission Office was experiencing email issues which were resolved before audit time.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Summary Schedule of Prior Audit Findings

Walker County Commission

-Serving All the People-

1801 3rd Ave S, Suite 113
Jasper, AL 35501-5390
205-384-7230 / Fax 205-384-7003

Steve Miller, Chairman

Keith Davis
Commissioner, District 1

Jeff Burrough
Commissioner, District 2

Jim Borden
Commissioner, District 3

Steven Aderholt
Commissioner, District 4

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2020

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Walker County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2020.

Finding

Ref.

No.

Status of Prior Audit Finding

2019-001 The ***Code of Alabama 1975***, Sections 11-3-11(a)(3) and (4), give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having the care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Therefore, to fulfill its responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies, procedures, and internal controls to require appropriate documentation to be maintained to support the disbursement of funds. This would include requirements that documentation of the applicable laws governing the salaries of county officials be reviewed, maintained and when appropriate, updated to ensure that payments made to Officials for duties performed are in accordance with the prescribed laws governing these salaries. Testing revealed instances where the salaries of county officials were paid in an amount other than what was prescribed in the applicable laws. The Commission did not implement policies and procedures to review, maintain and update documentation of county

Officials' salaries to ensure that salaries were paid in accordance with applicable laws. Therefore, errors were made in the salaries paid to county Officials.

To clarify when elected officials should be paid an Attorney General Opinion was sought. This was received recently and discussed in the March 21, 2022, regular Commission meeting. The Walker County Commission voted to begin paying all elected officials on the 1st and 15th of each month except for the Coroner and Sheriff. Due to a local law the Coroner and Sheriff are to be paid once a month.

This will begin October 1, 2022, on the first payroll run for elected officials.

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Auditee Response/Corrective Action Plan

Walker County Commission

-Serving All the People-

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Steve Miller, Chairman

Keith Davis
Commissioner, District 1

Jeff Burrough
Commissioner, District 2

Jim Borden
Commissioner, District 3

Steven Aderholt
Commissioner, District 4

Auditee Response/Corrective Action Plan

For the Year Ended September 30, 2020

As required by the ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards***, 2 CFR 200.511(c), the Walker County Commission has prepared and hereby submits the following Corrective Action Plan for the finding which is included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2020.

Finding

Ref.

No.

Corrective Action Plan Details

2020-002 ***Finding:***

The Governmental Accounting Standards Board (GASB) establishes financial reporting principles for State and Local Governments. GASB Statement Number 62 – ***Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*** incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance, including guidance that explains the accounting and reporting of capital leases by the lessees. The lessee should record a capital lease as an asset and an obligation at an amount equal to the present value at the beginning of the lease term. During the lease term, each minimum lease payment should be allocated between a reduction of the obligation and interest expense. The Walker County Commission's business-type activities were materially misstated due to amounts not being classified as capital leases in the long-term debt account. The

Commission purchased two pieces of equipment for the Solid Waste Department through a capital lease for \$479,159.76. The capital lease obligation was not recorded in the long-term debt account and the principal payments were improperly coded as capital outlay. Policies and procedures were not in place to ensure all financial information was recorded prior to the preparation of the financial statements. As a result, the Commission's financial statements did not include all activity of the Commission and the financial statements were materially misstated. Once brought to management's attention, the Commission adjusted the financial statements to correct the identified misstatements.

Recommendation:

The Walker County Commission should implement policies and procedures to ensure all financial information is properly recorded in the financial statements.

Response/Views: The above information believed to have been shared with the County's accountant via email. At this time both the accountant and Commission Office was experiencing email issues which were resolved before audit time.

Corrective Action Planned: Once the above was brought to the attention of the Administrator, joint scan sharing program was implemented to ensure the Accountant received all the information provided.

Anticipated Completion Date: The scan share program was implemented within two weeks of learning of the issue.

Contact Person(s): Please contact the County Administrator or Chairman of the Commission.

Other Matters in Schedule of State and Local Compliance and Other Findings

For the Year Ended September 30, 2020

2020-001 Finding:

The **Code of Alabama 1975**, Section 41-16-50, commonly known as the "Alabama Competitive Bid Law", requires all expenditures of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving \$15,000 or more made by or on behalf of a county commission shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. Additionally, the **Code of Alabama 1975**, Section 41-16-54(e), provides that all original bids, together with all documents pertaining to the award of the contract, shall be retained in accordance with a retention period of at least seven years established by the Local Government Records Commission and shall be open to public inspection. Further, the Commission's "Purchasing Procedures" policy provides, "purchases of \$15,000 or higher that cannot be obtained under a state bid must be bid in accordance with the Competitive Bid Law." During testing the following problems were noted:

- ✓ Three annual road department bids for stone, bituminous plant mix and emulsified asphalt were bid under the requirements of the Alabama Competitive Bid Law. However, each bid was awarded to all bidders instead of being awarded to the lowest responsible bidder.
- ✓ The Commission expended \$111,222.22 on equipment during the audit period. Upon inquiry, the Commission indicated the equipment was purchased utilizing an approved purchasing cooperative; however, the Commission did not retain documentation to support this claim.

The Commission did not have adequate procedures in place to ensure the applicable laws and Commission policies related to competitive bidding were followed. As a result, the Commission failed to comply with the provisions of the Alabama Competitive Bid Law and its own policy.

Recommendation:

The Walker County Commission should implement procedures to ensure that policies are followed, competitive bids are obtained, and appropriate

documentation is retained as provided by the Alabama Competitive Bid Law and its policy.

Response/Views: The County Commission awarded the multiple road material bids for the following reasons:

To ensure supply when needed
For each district to purchase from the approved bid closest to the district's project. By doing this county funds were saved on transportation of product to the project.
Ability for each district to purchase the proper product for the project.

Corrective Action Planned: The county engineer continues to work with the Examiners to fulfill both the county's needs and the Examiners. Any purchases that are made from any approved purchasing agent should be printed and included with all purchase documentation.

Anticipated Completion Date: The county engineer has been and will continue to be in contact with the examiner's office with a solution regarding approval of multiple bid awards.

Contact Person(s): You may contact Mike Short or Glenn Peek for an update.



02-21-2023

Steve Miller, Chairman

Walker County Commission