



Alabama Department of Examiners of Public Accounts

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

October 1, 2019 through September 30, 2020

Filed: April 28, 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 Elmore County Commission, Elmore County, Alabama, for the period October 1, 2019 through September 30, 2020. 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,

Kathy H. Roberts
Examiner of Public Accounts

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Table of Contents

	<i>Page</i>
Summary	A
<p>Contains items pertaining to federal, state and local legal compliance, Commission operations and other matters.</p>	
Independent Auditor's Report	C
<p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p>	
Management's Discussion and Analysis	H
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
<u>Basic Financial Statements</u>	1
<p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.</p>	
Exhibit #1	2
Exhibit #2	4
Exhibit #3	5
Exhibit #4	6
Exhibit #5	7
Exhibit #6	8

Table of Contents

	<i>Page</i>
Exhibit #7 Statement of Fiduciary Net Position	9
Exhibit #8 Statement of Changes in Fiduciary Net Position	10
Notes to the Financial Statements	11
<u>Required Supplementary Information</u>	43
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #9 Schedule of Changes in the Employer’s Net Pension Liability	44
Exhibit #10 Schedule of the Employer’s Contributions – Pension	45
Exhibit #11 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	46
Exhibit #12 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund	48
<u>Supplementary Information</u>	49
Contains financial information and notes relative to federal financial assistance.	
Exhibit #13 Schedule of Expenditures of Federal Awards	50
Notes to the Schedule of Expenditures of Federal Awards	52
<u>Additional Information</u>	53
Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> for federal compliance audits.	
Exhibit #14 Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel.	54

Table of Contents

		<i>Page</i>
Exhibit #15	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements.	55
Exhibit #16	Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs, and an opinion on whether the Commission complied with federal statutes, regulations, and the terms and conditions of its federal awards which could have a direct and material effect on each major program.	57
Exhibit #17	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by the <i>Uniform Guidance</i> .	61
Exhibit #18	Auditee Response/Corrective Action Plan – a response by the Commission on the results of the audit and a corrective action plan for federal audit findings.	64



Department of
Examiners of Public Accounts

SUMMARY

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

The Elmore County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Elmore County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 14. 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 Elmore 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 basic 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 December 2, 2021. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

AUDIT FINDING

A problem was found with the Commission’s internal controls over compliance for its federal assistance programs (Exhibit 17) and it is summarized below:

- ◆ 2020-001: The Commission received reimbursements of Coronavirus Relief Funds in excess of what was allowable.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Walter R. Beyer, IV, Chief Operations Officer; and Bart Mercer, Commissioner. Representing the Department of Examiners of Public Accounts were: Chris Newton, Audit Manager; and Kathy Roberts, Examiner.

Independent Auditor's Report

Independent Auditor's Report

Members of Elmore County Commission and Chief Operations Officer
Wetumpka, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmore County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Elmore County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Elmore County Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and **Government Auditing Standards** will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and **Government Auditing Standards**, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Elmore County Commission's internal control. Accordingly, no such opinion is expressed.
- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Elmore County Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

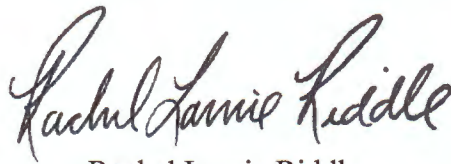
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of the Employer's Contributions – Pension, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 12), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elmore County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), 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 purpose of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated April 13, 2023, on our consideration of the Elmore 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 Elmore 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 Elmore County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

April 13, 2023

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

ELMORE COUNTY COMMISSION MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

The Elmore County Commission's discussion and analysis is a narrative overview that is designed to assist the reader in reviewing significant financial issues and activities of the Commission. The reader should also be able to identify the changes in the County's financial position and analyze the ability of the Commission to meet future challenges.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the Elmore County Commission for the fiscal year ended September 30, 2020. Please consider the information contained in this MD&A in conjunction with the County's financial statements for the same period. The MD&A is part of the reporting model adopted by the Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

- ◆ The Elmore County Commission's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2020, by \$26,060,792.
- ◆ The Commission's total net position increased by \$2,520,964. This increase is attributed to an increase in grants received during the year.
- ◆ The General Fund increased its fund balance by \$449,991. The fund balance retained is the equivalent of 47% of the annual general fund revenues. Since the Commission receives the majority of its property tax revenue in December, this cushion assures that the Commission has funds to operate through the collection period.
- ◆ Overall fund balance increased by \$543,226. Unrestricted net position increased from \$6,521,809 to \$6,557,695 or an increase of .55%. The Commission maintains a sufficient cushion to ensure excellent borrowing capability should the need arise. Restricted fund balances represent amounts legally restricted for specific purposes and therefore are not available for the general purposes of the Commission. Restricted fund balances increased by \$123,237.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are made up of the following components:

- ◆ Government-wide financial statements
- ◆ Governmental Funds financial statements
- ◆ Fiduciary funds statements
- ◆ Notes to the financial statements

This report also contains additional information that is relevant to the Commission's financial position.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with an overview of the Commission's finances, in a manner similar to those used by the private-sector businesses. The Statement of Net Position includes all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. To properly evaluate the overall health of the Commission you may need to consider other non-financial factors such as changes in the property tax base and the condition of the infrastructure, buildings and other facilities.

The Statement of Activities presents information focused on both gross and net costs and shows how the Commission's net position changed during the current fiscal year. This statement is intended to summarize and simplify the reader's analysis of cost of various governmental services and/or subsidy to various business-type activities. The governmental activities include most of the Commission's basic services including general government, public safety, highways and roads, sanitation, health and welfare, cultural and recreational, and education. The funding of these activities comes primarily from property taxes, charges for services, state shared revenues (i.e. gasoline taxes) and other miscellaneous revenues.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the Governmental Fund Financial Statements more familiar. Fund financial statements provide more detailed information about the Commission's funds, focusing on its Major funds rather than the Commission as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Elmore County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types used to keep track of specific sources of funding and spending on particular County programs. Elmore County does not have any proprietary funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. In doing so readers may better understand the long-term impact of the Commission's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to aide in this comparison between governmental funds and governmental activities.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Commission's basic services are included in governmental funds. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows and balances of spendable resources. The governmental fund statements provide a detailed short-term view of the Commission's operations and the basic services it provides. Governmental funds statements assist the reader in determining the short-term financial resources available to finance future programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in Exhibits 4 and 6 to reconcile the differences between them.

The Elmore County Commission maintains many funds that are governmental funds. Separate information is presented in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General and Reappraisal Funds. These funds are deemed to be major funds. Data from the remaining funds are combined into a single aggregated presentation.

FIDUCIARY FUNDS STATEMENTS

Fiduciary funds are funds in which the Commission is the trustee, or fiduciary, of assets that belong to others. The Commission is responsible for ensuring that these assets are used only for their intended purposes and are reported and presented correctly in these funds. All the Commission's fiduciary activities are reported in a separate Statement of Fiduciary Net Position (Exhibits 7 and 8). The activities of these funds are excluded from the government-wide financial statements because their assets are not available for use by the Commission to finance its operations.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial statements, provided in this report, offer additional essential information to achieve a full understanding of the data provided in the government-wide and fund financial statements. The notes follow the exhibits contained in this report.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information is expressed in Exhibits 9 and 10 which show changes related to pension liability in the year and Exhibits 11 and 12 which are Budget to Actual comparisons of the governmental major funds of the Commission. The Elmore County Commission adopts an annual appropriated budget for its General and Reappraisal Funds. The comparison schedules are presented to demonstrate compliance with the fund budgets.

ADDITIONAL INFORMATION

Pursuant to Government Accounting Standards Board (GASB) Statement Number 34, the Commission reports and depreciates general capital assets. The Commission has elected to depreciate these assets over their estimated useful life using the straight-line method of depreciation. The infrastructure portion related to general governmental activities as stated in GASB Statement Number 34 requires that these assets (infrastructure – roads and bridges) be valued and reported within the Governmental column of the Government-wide Statement. All infrastructure assets have been added retroactively to the Commission’s general capital assets in compliance with GASB Statement Number 34.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Commission’s net position increased by \$2,520,964 during the current fiscal year. Management monitors net position because the variance is a useful indicator of the Commission’s financial position. The Elmore County Commission’s total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$26,060,792, as of the fiscal year ending September 30, 2020.

The following table shows the condensed Statement of Net Position:

	Governmental Activities 2019	Governmental Activities 2020
Assets		
Current Assets	\$22,580,902.60	\$24,086,240.02
Capital Assets, Net	29,120,267.39	31,507,604.11
Total Assets	<u>51,701,169.99</u>	<u>55,593,844.13</u>
Deferred Outflows of Resources	<u>1,343,074.13</u>	<u>1,359,646.92</u>
Liabilities		
Current Liabilities	1,903,135.99	2,751,680.19
Long-term Liabilities	17,316,347.01	18,479,805.60
Total Liabilities	<u>19,219,483.00</u>	<u>21,231,485.79</u>
Deferred Inflows of Resources	<u>10,284,933.09</u>	<u>9,661,213.16</u>
Net Position:		
Net Investment in Capital Assets	13,217,802.67	15,577,928.32
Restricted	3,800,216.65	3,925,168.83
Unrestricted	6,521,808.81	6,557,694.95
Total Net Position	<u>23,539,828.03</u>	<u>26,060,792.10</u>

At September 30, 2020, the largest portion of the Elmore County Commission's net position (60%) is in its capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. The County uses these capital assets to provide services to citizens. While the Commission's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. The remaining balance of unrestricted net position in the amount of \$6,557,695, may be used to meet the government's ongoing obligations to citizens and creditors, and \$3,925,169 restricted net position may be used to meet specific obligations to citizens and creditors.

Statement of Activities

The following schedule compares the revenues and expenditures for FY 2019 and 2020, respectively.

	Governmental Activities 2019	Governmental Activities 2020
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 3,816,019.89	\$ 3,099,723.18
Operating Grants & Contributions	5,455,204.63	8,990,311.44
Capital Grants & Contributions	88,918.82	233,041.83
<u>General Revenues</u>		
Property Taxes for General Purposes	4,584,371.39	4,698,247.62
Property Taxes for Specific Purposes	3,293,133.94	3,456,115.23
General Sales Tax	1,496,196.05	1,462,181.92
Special Sales Tax	914,204.55	827,741.76
Miscellaneous Taxes	1,067,386.99	1,261,503.98
Grants and Contributions Not Restricted for Specific Programs	1,523,647.03	2,318,764.45
Investment Earnings	98,367.90	60,330.37
Gain on Disposition of Capital Assets	66,564.31	449,807.23
Miscellaneous	1,942,394.30	1,468,626.25
Total Revenues	24,346,409.80	28,326,395.26
Expenditures		
<u>Program Activities</u>		
General Government	6,411,831.73	7,648,722.36
Public Safety	9,993,105.96	10,582,035.83
Highways and Roads	6,462,877.00	6,196,165.80
Sanitation		
Health	87,494.68	347,902.37
Welfare	44,065.73	41,931.12
Culture and Recreation	29,951.55	83,105.73
Education	79,629.36	365,754.04
Interest and Fiscal Charges	568,092.11	539,813.94
Total Expenditures	23,677,048.12	25,805,431.19
Increase/(Decrease) in Net Position	669,361.68	2,520,964.07
Net Position - Beginning	22,870,466.35	23,539,828.03
Net Position - Ending	\$ 23,539,828.03	\$26,060,792.10

In fiscal year 2020, expenditures for all services of the Commission were \$25,805,431.19. Of this amount 30% was spent for general government, 41% for public safety, 24% for highways and roads, 5% on the remaining categories listed above.

Net Cost of Services

The net cost of services is a comparison of the total cost for government functions and programs and the net cost remaining after reducing that total by the revenue generated from the specific function or program. For the current year, the total cost of governmental services was \$25,805,431.19 and the combined charges for services plus operating and capital grants received were \$12,323,076.45 leaving a net cost to the County of \$13,482,354.74.

Charges for services amounted to \$3,099,723.18 and combined grants and contributions totaled \$9,223,353.27. The charges for services are payments made by those that received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

Function/Programs	2019		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 6,411,831.73	\$ 3,929,446.10	\$ 7,648,722.36	\$ 4,361,997.86
Public Safety	9,993,105.96	8,193,007.94	10,582,035.83	8,508,983.05
Highway and Roads	6,462,877.00	1,394,373.99	6,196,165.80	1,141,800.03
Health	87,494.68	87,494.68	347,902.37	(1,561,031.03)
Welfare	44,065.73	38,109.05	41,931.12	41,931.12
Culture and Recreation	29,951.55	26,751.55	83,105.73	83,105.73
Education	79,629.36	79,629.36	365,754.04	365,754.04
Interest	568,092.11	568,092.11	539,813.94	539,813.94
Total Governmental	\$ 23,677,048.12	\$ 14,316,904.78	\$ 25,805,431.19	\$ 13,482,354.74

Financial Analysis of Funds

The financial performance of the Commission as a whole is reflected in its governmental funds. The total governmental funds balances at the end of the fiscal year increased by \$543,226 from \$13,035,913 to \$13,579,139.

The following table provides a summary of the changes in fund balances of the Commission’s major funds as well as the combined Other Governmental Funds (After Budget to GAAP adjustments):

Fund	Beginning Fund Balance	Net Increase (Decrease)	Ending Fund Balance
General Fund	\$ 10,077,111.02	\$ 449,991.39	\$ 10,527,102.41
Other Governmental Funds	2,958,801.61	93,234.69	3,052,036.30
Totals	\$ 13,035,912.63	\$ 543,226.08	\$ 13,579,138.71

**The Reappraisal Fund does not carry a fund balance unless specific approval is given from the State to accumulate funds for a specific project. Any unexpended funds are returned and re-appropriated.

The overall Governmental fund balances are at 42% of annual expenditures providing the county with reserves and some flexibility in addressing certain capital needs. In addition, the budget cushion gives the Commission an excellent credit rating if the need for financing arises.

Budgetary Highlights - Major Funds

General Fund

Exhibit 11 shows changes made in the original General Fund budgets for fiscal year ended September 30, 2020. Budgeted revenues increased by \$1,152,280.37 and expenditures increased by \$1,105,580.37. Actual revenues were \$1,997,422.13 higher than the final budgeted revenues and actual expenditures were \$1,485,857.73 lower than final budgeted amounts. The net change in the general fund balance on a budgetary basis for the current fiscal year was a \$2,812,070.18 increase. After audit, Budget to GAAP adjustments, the actual change was an \$449,991.39 increase.

Reappraisal Fund

Exhibit 12 shows that no change made from original to final budgeted revenues and expenditures. Actual revenues were \$103,279.76 less than final budgeted revenues and actual expenditures were \$86,639.76 less than final budgeted expenditures.

Capital Assets

Capital Assets – Depreciation of assets other than land and construction in progress projects is now recorded on an annual basis using the straight-line method of depreciation.

The following table shows a reconciliation of capital assets for the year ended September 30, 2020:

	Balance 10/01/2019	Additions/ Reclassifications (*)	Deletions/ Reclassifications (*)	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 947,117.28	\$1,053,764.22		\$ 2,000,881.50
Construction in Progress	.00	1,094,765.33		1,094,765.33
Total Capital Assets, Not Being Depreciated	947,117.28	2,148,529.55		3,095,646.83
Capital Assets Being Depreciated:				
Bridges	7,647,885.28			7,647,885.28
Roads	27,401,522.50			27,401,522.50
Buildings and Improvements	20,328,072.65		(180,000.00)	20,148,072.65
Equipment and Furniture	8,763,483.79	1,246,220.33	(690,346.24)	9,319,357.88
Assets under Capital Lease	2,423,479.00	2,585,676.00	(2,423,479.00)	2,585,676.00
Total Capital Assets Being Depreciated	66,564,443.22	3,831,896.33	(3,293,825.24)	67,102,514.31
Less Accumulated Depreciation for:				
Bridges	(4,125,618.57)	(189,819.74)		(4,315,438.31)
Roads	(21,772,179.61)	(45,748.44)		(21,817,928.05)
Buildings and Improvements	(5,931,868.73)	(494,199.36)	180,000.00	(6,246,068.09)
Assets Under Capital Lease	(536,904.40)	(243,956.69)	644,241.53	(136,619.56)
Equipment and Furniture	(6,024,721.80)	(799,879.29)	650,098.06	(6,174,503.03)
Total Accumulated Depreciation	(38,391,293.11)	(1,773,603.52)	1,474,339.59	(38,690,557.04)
Total Capital Assets Being Depreciated, Net	28,173,150.11	2,058,292.82	(1,819,485.65)	28,411,957.28
Total Governmental Activities Capital Assets, Net	\$29,120,267.39	\$4,206,822.37	\$(1,819,485.65)	\$31,507,604.11

Debt Outstanding

Long-Term Debt

On June 17, 2016, the Commission entered into a General Obligation Warrant, Series 2016, in the principal amount of \$2,175,000.00. The proceeds derived from this issuance are to be expended for the acquisition, construction, installation, and equipping of improvements of improvements to the County's infrastructure, including energy conservation improvements to County facilities.

On October 1, 2015, the Commission entered into a General Obligation Warrant, Series 2015, in the principal amount \$13,630,000.00. The proceeds derived from this issuance are to be expended for the retirement of a line of credit by the County to provide interim finance for some of the Improvements, otherwise known as General Obligation Warrants, Series 2013, and for the execution of the County's comprehensive capital improvement plan.

On October 18, 2018, the Commission entered into a capital lease agreement for \$691,161 at 3.41% interest rate to purchase five dump trucks. The payments for these notes payable are made from the Gasoline Tax Fund.

On February 15, 2017, the Commission entered into a capital lease agreement for \$283,622 at 2.23% interest rate to purchase two tri-axle dump trucks. The payments for these notes payable are made from the Gasoline Tax Fund.

On February 9, 2017, the Commission entered into a capital lease agreement for \$228,916 at 2.23% interest rate to purchase two low boy tractors. Payments on the capital lease agreement are made from Gasoline tax proceeds.

On February 7, 2017, the Commission entered into a capital lease agreement for \$1,214,780 at 2.35% interest rate to purchase five caterpillar motor graders. The payments for these notes payable are made from the Gasoline Tax Fund.

On March 23 2020, the Commission entered into a capital lease agreement for \$244,194 at 1.86% interest rate to purchase two dump Trucks. The payments for this capital lease are made from the Special Sales Tax Fund.

On March 23, 2020, the Commission entered into a capital lease agreement for \$995,792 at 1.86% interest rate to purchase eight dump trucks. The payments for this capital lease are made from the Gasoline Tax Fund.

On March 23, 2020, the Commission entered into a capital lease agreement for \$143,700 at 1.86% interest rate to purchase six dump bodies. The payments for this capital lease are made from the Gasoline Tax Fund.

On February 14, 2020, the Commission entered into a capital lease agreement for \$1,201,990 at 1.86% interest rate to purchase five motor graders. The payments for this capital lease are made Gasoline Tax Fund.

The following is a summary of general long-term debt transactions 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:					
General Obligation Warrant, Series 2015	12,185,000.00		(520,000.00)	11,665,000.00	540,000.00
General Obligation Warrant, Series 2016	1,980,000.00		(100,000.00.00)	1,880,000.00	100,000.00
Sub-Total Warrants Payable	14,165,000.00		(620,000.00)	13,545,000.00	640,000.00
Other Liabilities:					
Capital Leases:					
Two Mack P164T Tractors		244,194.00	(23,558.99)	220,635.01	47,447.77
Eight Mack GR64 Dump Trucks		995,792.00	(96,070.69)	899,721.31	193,486.16
Six Stampede Dump Bodies		143,700.00	(13,863.73)	129,836.27	27,921.51
Five Cat 140 Motor Graders		1,201,990.00	(67,506.80)	1,134,483.20	117,010.91
Five Mack GR64F Dump Trucks	573,334.99		(573,334.99)		
Five 12Ms Motor Graders	909,271.61		(909,271.61)		
Two Lowboy Tractors	113,827.86		(113,827.86)		
Two Triaxle Dump Trucks	141,030.26		(141,030.26)		
Sub Total Capital Leases	1,737,464.72	2,585,676.00	(1,938,464.93)	2,384,675.79	385,866.35
Compensated Absences	576,251.40	450,285.45		1,026,536.85	102,653.69
Net Pension Liability	1,860,369.00	791,744.00		2,652,113.00	
Total Other Liabilities	4,174,085.12	3,827,705.45	(1,938,464.93)	6,063,325.64	488,520.04
Total Governmental Activities Long-Term Liabilities	\$ 18,339,085.12	\$ 3,827,705.45	(\$2,558,464.93)	\$19,608,325.64	\$1,128,520.04

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission’s governmental funds. In the past, approximately 96% has been paid by the General Fund, 3% by the Reappraisal Fund and 1% by other governmental funds.

Economic Factors

Elmore County’s single largest source of revenue is ad valorem (property tax), over the past several years the property values (and an accompanying decrease in billed property taxes) have steadily decreased. This decrease in revenues has impacted Elmore County to the point where operating levels required by our growing county have been met by using sources of revenue which have traditionally been added to the fund balance annually.

Initial indications for FY 2020 are that the economy is slowly beginning to recover and resulting ad valorem collections are slowly rising. In addition, the collection of simplified sellers use tax (SSUT) grew exponentially from \$362,540 to \$682,783. FY 2019 SSUT collections grew an additional 88% over FY 2018 collections.

Recently, the United States has encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. It is highly anticipated that revenues from all sources, including taxes and federal grants that are received by the Elmore County Commission will be severely impacted by this pandemic. Additionally, it is anticipated that there will be a significant increase in costs associated with the aftermath of COVID-19. Because so much is unknown at this time, it will be extremely difficult for the Elmore County Commission to prepare budgets for the upcoming fiscal year to anticipate the impact of the pandemic. The Elmore County Commission anticipates that its financial operations will be adversely impacted by this pandemic; however, the duration and severity of its effects is indeterminable at this time.

Financial Information Contact

The Commission's financial statements are designed to provide our citizens, taxpayers, customers, creditors and readers with a general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have questions about the report or need additional financial information, contact the Chief Financial Officer at 100 E. Commerce Street, Suite 200, Wetumpka, Alabama 36092, (334) 514-5841. The office is located on the second floor of the annex to the historic courthouse in downtown Wetumpka.

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Basic Financial Statements

Statement of Net Position
September 30, 2020

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 9,469,691.10
Cash with Fiscal Agent	823,738.09
Investments	1,518,201.53
Receivables (Note 4)	3,925,899.02
Ad Valorem Taxes Receivable	8,335,396.99
Prepaid Items	1,715.08
Restricted Cash	11,598.21
Capital Assets (Note 5):	
Nondepreciable	3,095,646.83
Depreciable - Net	28,411,957.28
Total Assets	<u>55,593,844.13</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	490,087.92
Deferred Outflows Related to Pension Benefit Plan	869,559.00
Total Deferred Outflows of Resources	<u>1,359,646.92</u>
<u>Liabilities</u>	
Payables (Note 8)	1,025,999.30
Unearned Revenue	117,176.51
Accrued Wages Payable	597,160.85
Long-Term Liabilities (Note 10):	
Portion Due or Payable Within One Year:	
Warrants Payable	640,000.00
Capital Leases Payable	385,866.35
Compensated Absences	102,653.69
Portion Due or Payable After One Year:	
Warrants Payable	12,905,000.00
Capital Leases Payable	1,998,809.44
Compensated Absences	923,883.16
Net Pension Liability	2,652,113.00
Total Liabilities	<u>\$ 21,348,662.30</u>

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

	Governmental Activities
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	\$ 8,335,396.99
Revenue Received in Advance - Motor Vehicle Taxes	431,367.66
Deferred Inflows Related to Net Pension Liability	<u>777,272.00</u>
Total Deferred Inflows of Resources	<u>9,544,036.65</u>
<u>Net Position</u>	
Net Investment in Capital Assets	15,577,928.32
Restricted for:	
Road Projects	1,232,441.31
Debt Service	818,393.14
Capital Improvements	799,822.83
Other Purposes	1,074,511.55
Unrestricted	<u>6,557,694.95</u>
Total Net Position	<u>\$ 26,060,792.10</u>

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	Total Governmental Activities
Primary Government					
Governmental Activities:					
General Government	\$ 7,648,722.36	\$ 2,398,436.85	\$ 888,287.65	\$	\$ (4,361,997.86)
Public Safety	10,582,035.83	701,286.33	1,371,766.45		(8,508,983.05)
Highways and Roads	6,196,165.80		4,821,323.94	233,041.83	(1,141,800.03)
Health	347,902.37		1,908,933.40		1,561,031.03
Welfare	41,931.12				(41,931.12)
Culture and Recreation	83,105.73				(83,105.73)
Education	365,754.04				(365,754.04)
Interest on Long-Term Debt	539,813.94				(539,813.94)
Total Governmental Activities	<u>\$ 25,805,431.19</u>	<u>\$ 3,099,723.18</u>	<u>\$ 8,990,311.44</u>	<u>\$ 233,041.83</u>	<u>(13,482,354.74)</u>
General Revenues:					
Taxes:					
Property Taxes for General Purposes					4,698,247.62
Property Taxes for Specific Purposes					3,456,115.23
General Sales Tax					1,462,181.92
Special Sales Tax					827,741.76
Miscellaneous Taxes					1,261,503.98
Grants and Contributions Not Restricted for Specific Programs					2,318,764.45
Gain on Disposition of Capital Assets					449,807.23
Investment Earnings					60,330.37
Miscellaneous					1,468,626.25
Total General Revenues					<u>16,003,318.81</u>
Changes in Net Position					2,520,964.07
Net Position - Beginning of Year					<u>23,539,828.03</u>
Net Position - End of Year					<u>\$ 26,060,792.10</u>

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

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 6,110,025.53	\$ 135,994.04	\$ 3,223,671.53	\$ 9,469,691.10
Cash with Fiscal Agent	814,181.05		9,557.04	823,738.09
Investments	1,285,132.03		233,069.50	1,518,201.53
Receivables (Note 4)	3,667,015.52	13,522.06	245,361.44	3,925,899.02
Ad Valorem Taxes Receivable	7,203,091.24	1,132,305.75		8,335,396.99
Interfund Receivables	301,853.49		126,697.28	428,550.77
Prepaid Items	1,715.08			1,715.08
Restricted Cash	11,598.21			11,598.21
Total Assets	19,394,612.15	1,281,821.85	3,838,356.79	24,514,790.79
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Payables (Note 8)	386,068.67	3,839.80	636,090.83	1,025,999.30
Unearned Revenue		117,176.51		117,176.51
Interfund Payables	303,550.77		125,000.00	428,550.77
Accrued Wages Payable	543,431.40	28,499.79	25,229.66	597,160.85
Total Liabilities	1,233,050.84	149,516.10	786,320.49	2,168,887.43
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	7,203,091.24	1,132,305.75		8,335,396.99
Revenue Received in Advance - Motor Vehicle Taxes	431,367.66			431,367.66
Total Deferred Inflows of Resources	7,634,458.90	1,132,305.75		8,766,764.65
Fund Balances				
Nonspendable:				
Prepaid Expenses	1,715.08			1,715.08
Restricted for:				
Capital Projects			799,822.83	799,822.83
Highways and Roads			1,232,441.31	1,232,441.31
Debt Service	818,393.14			818,393.14
Other Purposes	53,024.31		1,019,772.16	1,072,796.47
Assigned for:				
Highways and Roads	2,509,235.85			2,509,235.85
Unassigned	7,144,734.03			7,144,734.03
Total Fund Balances	10,527,102.41		3,052,036.30	13,579,138.71
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,394,612.15	\$ 1,281,821.85	\$ 3,838,356.79	\$ 24,514,790.79

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) \$ 13,579,138.71

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 (Note 5). 31,507,604.11

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. 582,374.92

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	Amounts Due or Payable After One Year	
Warrants Payable	\$ 640,000.00	\$ 12,905,000.00	
Capital Leases Payable	385,866.35	1,998,809.44	
Liability for Compensated Absences	102,653.69	923,883.16	
Net Pension Liability		2,652,113.00	
Total Long-Term Liabilities	\$ 1,128,520.04	\$ 18,479,805.60	(19,608,325.64)

Total Net Position - Governmental Activities (Exhibit 1) \$ 26,060,792.10

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

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

	General Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 10,402,595.43	\$ 1,156,977.07	\$ 146,218.01	\$ 11,705,790.51
Licenses and Permits	96,853.27			96,853.27
Intergovernmental	7,693,086.99		3,890,689.72	11,583,776.71
Charges for Services	2,750,906.20		202,938.71	2,953,844.91
Fines and Forfeits	466.13			466.13
Miscellaneous	1,412,036.10	7,367.17	116,453.23	1,535,856.50
Total Revenues	22,355,944.12	1,164,344.24	4,356,299.67	27,876,588.03
Expenditures				
Current:				
General Government	5,384,908.71	1,114,344.24	601,197.53	7,100,450.48
Public Safety	9,036,551.94		810,650.04	9,847,201.98
Highways and Roads	4,801,386.97		530,919.17	5,332,306.14
Health	347,902.37			347,902.37
Welfare	41,931.12			41,931.12
Culture and Recreation	74,079.95			74,079.95
Education	365,754.04			365,754.04
Capital Outlay	5,806,953.21	50,000.00	123,472.67	5,980,425.88
Debt Service:				
Principal Retirement	2,558,464.93			2,558,464.93
Interest and Fiscal Charges	539,813.94			539,813.94
Total Expenditures	28,957,747.18	1,164,344.24	2,066,239.41	32,188,330.83
Excess (Deficiency) of Revenues Over Expenditures	(6,601,803.06)		2,290,060.26	(4,311,742.80)
Other Financing Sources (Uses)				
Transfers In	2,242,013.07		425,000.00	2,667,013.07
Sale of Capital Assets	2,224,105.38		45,187.50	2,269,292.88
Debt Issued	2,585,676.00			2,585,676.00
Transfers Out			(2,667,013.07)	(2,667,013.07)
Total Other Financing Sources (Uses)	7,051,794.45		(2,196,825.57)	4,854,968.88
Net Change in Fund Balances	449,991.39		93,234.69	543,226.08
Fund Balances - Beginning of Year	10,077,111.02		2,958,801.61	13,035,912.63
Fund Balances - End of Year	\$ 10,527,102.41	\$	\$ 3,052,036.30	\$ 13,579,138.71

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

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 543,226.08

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differed from depreciation in the current period.

Depreciation Expense	\$ (1,773,603.51)	
Capital Outlay Expenditures	5,980,425.88	
Net Adjustment		4,206,822.37

In the Statement of Activities, only the gain or loss on the sale of capital assets is recognized, whereas, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold, net of accumulated depreciation.

Sale of Capital Assets	\$ (2,269,292.88)	
Gain/(Loss) on Disposition of Capital Assets	449,807.23	
Net Adjustment		(1,819,485.65)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Position. 2,558,464.93

Debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (2,585,676.00)

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 consist of:

Net Increase in Estimated Liability for Compensated Absences	\$ (450,285.45)	
Net Decrease in Pension Expense	67,897.79	
Net Adjustment		(382,387.66)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,520,964.07

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

Statement of Fiduciary Net Position
September 30, 2020

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 417,984.48	\$ 215,403.04
Investments	464,831.75	
Receivables (Note 4)		910.33
Total Assets	<u>882,816.23</u>	<u>216,313.37</u>
<u>Liabilities</u>		
Payables (Note 8)	<u>2,574.87</u>	216,313.37
Total Liabilities	<u>2,574.87</u>	<u>\$ 216,313.37</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>880,241.36</u>	
Total Net Position	<u>\$ 880,241.36</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>	
Fiduciary Fund	\$ 17,340.60
Amounts Received from Inmates	588,604.55
Total Additions	<u>605,945.15</u>
<u>Deductions</u>	
Payments to Beneficiaries	208,389.76
Amounts Paid on Behalf of Inmates	542,599.00
Total Deductions	<u>750,988.76</u>
Changes in Net Position	(145,043.61)
Net Position - Beginning of Year	<u>1,025,284.97</u>
Net Position - End of Year	<u><u>\$ 880,241.36</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 Elmore 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 Elmore County Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as 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 receives revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditure of 7-cent State gasoline tax revenues for the construction, improvement, maintenance and supervision of highways, bridges and streets, and for the retirement of debt when gasoline tax revenues have been pledged. Also included in this fund are Coronavirus Relief Funds.

- ◆ **Reappraisal Fund** – This fund is used to account for property taxes and other revenues required to be expended for the costs of the property reappraisal program.

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

Governmental Fund Type

- ◆ **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.

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 government.

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

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

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

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, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit. Investments are reported at fair value, with the exception of certificates of deposit which are reported at cost.

2. Receivables

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

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects and amounts due from the State for taxes and cost-sharing. Receivables from external parties are amounts that are being held in trustee or agency capacity by the fiduciary funds.

3. Prepaid Items

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

4. Restricted Assets

The Commission's general obligation warrants, as well as certain resources set aside for their repayment, shown in cash are considered restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Debt service accounts are used to segregate resources accumulated for debt service payments.

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

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 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
Buildings and Improvements	\$ 5,000	40 Years
Equipment and Furniture	\$ 5,000	5 – 10 Years
Equipment Under Capital Lease	\$ 5,000	5 – 10 Years
Roads	\$250,000	20 Years
Bridges	\$ 50,000	40 Years

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

6. Deferred Outflows of Resources

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

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bonds/Warrant premiums and discounts, as well as issuance costs, are expensed in the year in which the bond/warrant was issued.

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

8. Compensated Absences

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

Annual Leave

All unclassified and full-time classified employees will earn vacation leave with pay in accordance with these policies and procedures. The vacation leave year shall commence on January 1 and conclude on December 31 of each year. All eligible employees will earn vacation leave according to the schedule below:

Completed Years of Continuous Vacation Leave Earned Service	
0 – 1 year	5 days per year
Over 1 – 10 years	10 days per year
Over 10 – 20 years	15 days per year
Over 20 years	20 days per year

A day of vacation leave shall be equivalent to the normal shift and/or hours worked by the subject employee earning vacation leave

Vacation leave credits will be accrued each pay period by an eligible employee in which he/she is eligible to earn vacation leave. However, an employee shall not earn any leave credit for any pay period in which he/she is in a non-pay status for more than five (5) scheduled working days.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Upon separation from County service, an individual will be paid for any accrued vacation leave. Probationary employees that are terminated during the probationary period shall not be paid for any accrued vacation leave.

Sick Leave

Sick leave is a benefit provided to unclassified and full-time classified employees to ensure that eligible employees who are unable to work due to illness or injury do not feel compelled to do so for financial reasons.

Unclassified and full-time classified employees shall earn sick leave credit at the rate of one (1) day per full month worked for exempt employees and unexempt employees, totaling twelve (12) days of sick leave per year. A day of sick leave shall be equivalent to the normal shift and/or hours worked by the subject employee earning sick leave. Eligible employees may not accrue more than 2000 hours of sick leave credit. A probationary employee will accrue sick leave credits and may be authorized to use them while he/she is in the probationary period. Any policy and procedure described herein that may conflict with those of the Retirement Systems of Alabama (RSA) shall be resolved in favor of the RSA policy and/or procedure.

Eligible employees will not earn any sick leave credit for any pay period in which they are in a non-pay status for more than five (5) working days.

No employee will be paid for unused sick leave when he/she separates from County service. However, employees that retire from County service may transfer accrued, unused sick leave toward retirement credit, unless such, at any time, is precluded by the policies, procedures, rules and/or guidelines of the Retirement Systems of Alabama. Any policy and procedure described herein that may conflict with those of the Retirement Systems of Alabama shall be resolved in favor of the RSA policy and/or procedure.

Compensatory Leave

All full-time hourly classified and probationary employees shall be eligible to earn compensatory time for hours work in excess of 40 (86 bi-weekly for law enforcement and corrections) hours per week. Employees that are compensated on a salary basis are not eligible for compensatory time. Compensatory time will be calculated on a time and one-half basis for hours actually worked over 40 (86 bi-weekly for law enforcement and corrections) per week. Work must be performed at the employee's regular work station as evidenced by clocking in and clocking out to qualify for compensatory time. Work performed at home will not be considered in calculation of compensatory time.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The *Code of Alabama 1975*, Section 36-21-4.1, provides that any non-elected law enforcement officer in the service of a county who has worked overtime be given the choice of overtime pay or compensatory leave. Under this statute, officers must make an election at the end of each month with regard to overtime earned during that month. Any overtime to be received as salary is to be paid the following month and any overtime to be taken as compensatory leave must be taken in the calendar year in which it is earned. Under this provision, deputies may accrue compensatory leave, but it must be used in the calendar year in which it is earned and there is no provision to pay out any unused compensatory leave.

9. Deferred Inflows of Resources

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

10. Net Position/Fund Balances

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

- ◆ **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

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

In circumstances where an expenditure is to be made for a purpose for which amounts are available for multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, and lastly assigned 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 plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 3 – Deposits and Investments

Deposits

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

Cash with Fiscal Agent

The Commission has deposits totaling \$823,738.09 in the General Fund, which is shown as Cash with Fiscal Agent on the fund financial statements and on the government-wide financial statements. These funds are invested in the Morgan Stanley Institutional Liquidity Funds Treasury Portfolio (Advisory Share Class). This Fund has adopted a policy to invest exclusively in U. S. Treasury obligations, which are backed by the full faith and credit of the United States, and repurchase agreements collateralized by such securities in order to qualify as a "government money market fund" under federal regulations. The Morgan Stanley Institutional Liquidity Funds Treasury Portfolio (Advisory Share Class) is rated AAAM by Standard & Poor's.

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. GASB Statement Number 40 requires that governments provide information about the credit risk associated with their investments by disclosing the credit quality ratings of investment in debt securities as described by nationally recognized statistical rating organizations such as Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings, rating agencies, as of the date of the financial statements. The Commission does not have a formal investment policy requiring investments to be rated in the highest category rating. As of September 30, 2020, the Commission’s investments in the Money Market Funds were rated AAAM by Standard and Poor’s and AAA-mf by Moody’s.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

Note 4 – Receivables

On September 30, 2020, receivables for the Commission’s individual major funds and other governmental and agency funds in the aggregate, are as follows:

	Governmental Funds				Fiduciary Funds Agency Funds
	General Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds	
Receivables:					
Accounts Receivable	\$ 351,861.17	\$13,082.06	\$ 3,147.10	\$ 368,090.33	\$910.33
Intergovernmental Receivable	3,021,714.26	165.00	227,599.13	3,249,478.39	
Sales Taxes Receivable	184,560.86		14,615.21	199,176.07	
Due from External Parties	108,879.23	275.00		109,154.23	
Total Receivables	<u>\$3,667,015.52</u>	<u>\$13,522.06</u>	<u>\$245,361.44</u>	<u>\$3,925,899.02</u>	<u>\$910.33</u>

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	Deletions	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 947,117.28	\$ 1,053,764.22	\$	\$ 2,000,881.50
Construction in Progress		1,094,765.33		1,094,765.33
Total Capital Assets, Not Being Depreciated	947,117.28	2,148,529.55		3,095,646.83
Capital Assets Being Depreciated:				
Bridges	7,647,885.28			7,647,885.28
Roads	27,401,522.50			27,401,522.50
Buildings and Improvements	20,328,072.65		(180,000.00)	20,148,072.65
Equipment and Furniture	8,763,483.79	1,246,220.33	(690,346.24)	9,319,357.88
Assets Under Capital Lease	2,423,479.00	2,585,676.00	(2,423,479.00)	2,585,676.00
Total Capital Assets Being Depreciated	66,564,443.22	3,831,896.33	(3,293,825.24)	67,102,514.31
Less Accumulated Depreciation for:				
Bridges	(4,125,618.57)	(189,819.74)		(4,315,438.31)
Roads	(21,772,179.61)	(45,748.44)		(21,817,928.05)
Buildings and Improvements	(5,931,868.73)	(494,199.36)	180,000.00	(6,246,068.09)
Equipment and Furniture	(6,024,721.80)	(799,879.28)	650,098.06	(6,174,503.03)
Assets Under Capital Lease	(536,904.40)	(243,956.69)	644,241.53	(136,619.56)
Total Accumulated Depreciation	(38,391,293.11)	(1,773,603.51)	1,474,339.59	(38,690,557.04)
Total Capital Assets Being Depreciated, Net	28,173,150.11	2,058,292.82	(1,819,485.65)	28,411,957.28
Total Governmental Activities Capital Assets, Net	\$ 29,120,267.39	\$ 4,206,822.37	\$(1,819,485.65)	\$ 31,507,604.11

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 165,884.22
Public Safety	734,833.85
Highways and Roads	863,859.66
Culture and Recreation	9,025.78
Total Depreciation Expense - Governmental Activities	\$1,773,603.51

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 county, city, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

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 to 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 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 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	<u>93,986</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 ERS were required 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 contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the Commission's active employee contribution rate was 6.09% of covered payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 5.66% of covered payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2020, was 6.43% of pensionable pay for Tier 1 employees, and 3.21% 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 \$490,087.92 for the year ended September 30, 2020.

Notes to the Financial Statements
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 September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward	
	Expected	Actual
(a) Total Pension Liability as of September 30, 2018	\$23,817,361	\$23,770,021
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for October 1, 2018 – September 30, 2019	685,875	685,875
(d) Transfers Among Employers		(3,500)
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 – September 30, 2019	(1,248,705)	(1,248,705)
(f) Total Pension Liability as of September 30, 2019 =[(a) x (1+(b))]+(c)+(d)+[(e) X(1+0.5*(b))]	\$25,040,393	\$24,985,907
(g) Difference between Expected and Actual		\$ (54,486)
(h) Less Liability Transferred for Immediate Recognition		(3,500)
(i) Experience (Gain)/Loss – (g) – (h)		\$ (50,986)

Actuarial Assumptions

The total pension liability in the 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 period:

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	
(*) Includes assumed rate of inflation of 2.50%		

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 years.

C. Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2018	\$23,817,361	\$21,956,992	\$1,860,369
Changes for the Year:			
Service Cost	685,875		685,875
Interest	1,785,862		1,785,862
Difference between expected and actual experience	(50,986)		(50,986)
Contributions – Employer		513,842	(513,842)
Contributions – Employee		553,722	(553,722)
Net Investment Income		561,443	(561,443)
Benefit Payments, including Refunds of Employee Contributions	(1,248,705)	(1,248,705)	
Transfers Among Employers	(3,500)	(3,500)	
Net Changes	1,168,546	376,802	791,744
Balances at September 30, 2018	\$24,985,907	\$22,333,794	\$2,652,113

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

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	\$5,774,642	\$2,652,113	\$33,205

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 \$406,839. 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	\$ 156,671	\$777,272
Changes of assumptions	428,192	
Net difference between projected and actual earnings on pension plan investments	284,696	
Employer contributions subsequent to the measurement date	490,088	
Total	\$1,359,647	\$777,272

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

The \$490,088 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 ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2021	\$ (46,014)
2022	\$ (14,450)
2023	\$107,158
2024	\$109,857
2025	\$ (59,628)
Thereafter	\$ (4,636)

Note 7 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Elmore County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2020, amounted to \$135,945.92.

Note 8 – Payables

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

	Vendors	Intergovernmental	Other Parties	Total Payables
<u>Governmental Activities:</u>				
General Fund	\$313,034.06	\$ 73,034.61	\$	\$ 386,068.67
Reappraisal Fund	3,801.26	38.54		3,839.80
Other Governmental Funds	602,096.49	33,994.34		636,090.83
Total Governmental Activities	918,931.81	107,067.49		1,025,999.30
<u>Fiduciary Funds:</u>				
Private-Purpose Trust Funds			2,574.87	2,574.87
Agency Funds	216,313.37			216,313.37
Total Fiduciary Funds	\$216,313.37	\$	\$2,574.87	\$ 218,888.24

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

Note 9 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$2,585,676.00 for governmental 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 payment of a pro rata share of the current year’s lease payments. Until that time, the leased equipment will be identified separately. 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 30th:

Fiscal Year Ending	Governmental Activities
September 30, 2021	\$ 426,943
2022	426,943
2023	426,943
2024	426,943
2025	803,040
Total Minimum Lease Payments	2,510,811
Less: Amount Representing Interest	(126,136)
Present Value of Net Minimum Lease Payments	<u>\$2,384,675</u>

Note 10 – Long-Term Debt

On June 17, 2016, the Commission entered into a General Obligation Warrant, Series 2016, in the principal amount of \$2,175,000.00. The proceeds derived from this issuance are to be expended for the acquisition, construction, installation, and equipping of improvements to the County’s infrastructure, including energy conservation improvements to County facilities. In the event of default of the terms and conditions of the warrant resolution, remedies for warrant-holders may be limited by the United States Bankruptcy Code and other similar laws affecting creditors’ rights and the exercise of judicial discretion, in certain cases.

Notes to the Financial Statements

For the Year Ended September 30, 2020

On October 1, 2015, the Commission entered into a General Obligation Warrant, Series 2015, in the principal amount \$13,630,000.00. The proceeds derived from this issuance are to be expended for the retirement of a line of credit by the County to provide interim financing for some of the Improvements, otherwise known as General Obligation Warrants, Series 2013, and for the execution of the County's comprehensive capital improvement plan. In the event of default of the terms and conditions of the warrant resolution, remedies for warrant-holders may be limited by the United States Bankruptcy Code and other similar laws affecting creditors' rights and the exercise of judicial discretion, in certain cases.

On October 18, 2018, the Commission entered into a capital lease agreement for \$691,161 at 3.41% interest rate to purchase five dump trucks. The payments for the capital lease agreement are made from the Gasoline Tax Fund. The Commission's agreement contained a provision that in the event of default, the lessor may take one or more of the following remedial actions: (a) make all or any part of the amounts owed by the terms of this agreement to be immediately due; (b) use any and all remedies they have under state or federal law or in any loan document; (c) make a claim for any and all insurance benefits or refunds that may be available on the Commission's default; (d) make any amounts advanced on lessee's behalf be immediately due and may be added to the balance owed under the terms of this agreement, and accrue interest at the highest post-maturity interest rate; (e) use the right of set-off; (f) require Commission to gather the property and make it available to the lessor in a reasonable fashion; (g) repossess the property so long as the repossession does not involve a breach of peace. Lessor may sell, lease or otherwise dispose of the property as provided by law. Lessor may apply what is received from the disposition of the property to the expenses, attorney fees and legal expenses (where not prohibited by law) and any debt the Commission owes the lessor. If what is received by the Lessor does not satisfy the debt, the Commission will be liable for the deficiency (where permitted by law); (h) lessor may enter upon the Commission's premises and take possession of all or any part of my property for the purpose of preserving the property or its value, so long as they do not breach the peace. Lessor may use and operate the Commission's property for the length of time lessor feels is necessary to protect their interest, all without payment or compensation to lessee; (i) lessor does not give up their right to use any other remedy. Lessor does not waive a default if they choose not to use a remedy. By electing not to use any remedy, lessor does not waive their right to later consider the event a default and to use any remedies if the default continues or occurs again. The agreement was paid in full and items were sold in fiscal year 2020.

Notes to the Financial Statements

For the Year Ended September 30, 2020

On February 15, 2017, the Commission entered into a capital lease agreement for \$283,622 at 2.23% interest rate to purchase two tri-axle dump trucks. The payments for the capital lease agreement are made from the Gasoline Tax Fund. In the event of default, the lessor shall have the right, at its sole option without any further demand or notice, take one or any combination of the following remedial steps: (a) with or without terminating the agreement, retake possession of the equipment and sell, lease or sublease the equipment for the account of the Commission, to be applied to the Commission's obligations hereunder, holding the Commission liable for the purchase price applicable on the rent payment due date immediately preceding the date of default, plus the rental payments due on such date, plus any other amounts payable by the Commission hereunder including, but not limited to, attorney's fees, expenses and costs of repossession; (b) require the Commission to promptly return the equipment; (c) if the lessor is unable to repossess the equipment for any reason, the equipment shall be deemed a total loss and the Commission shall pay the lessor the amounts due and (d) take whatever legal action allowed by law. The agreement was fully repaid in fiscal year 2020.

On February 9, 2017, the Commission entered into a capital lease agreement for \$228,916 at 2.23% interest rate to purchase two low boy tractors. Payments on the capital lease agreement are made from Gasoline tax proceeds. In the event of default, the lessor shall have the right, at its sole option without any further demand or notice, take one or any combination of the following remedial steps: (a) with or without terminating the agreement, retake possession of the equipment and sell, lease or sublease the equipment for the account of the Commission, to be applied to the Commission's obligations hereunder, holding the Commission liable for the purchase price applicable on the rent payment due date immediately preceding the date of default, plus the rental payments due on such date, plus any other amounts payable by the Commission hereunder including, but not limited to, attorney's fees, expenses and costs of repossession; (b) require the Commission to promptly return the equipment; (c) if the lessor is unable to repossess the equipment for any reason, the equipment shall be deemed a total loss and the Commission shall pay the lessor the amounts due and (d) take whatever legal action allowed by law. The agreement was paid for in full and items were sold in fiscal year 2020.

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

On February 7, 2017, the Commission entered into a capital lease agreement for \$1,214,780 at 2.35% interest rate to purchase five motor graders. The payments for the capital lease agreement are made from the Gasoline Tax Fund. In the event of default, the lessor shall have the right, at its sole option without any further demand or notice, take one or any combination of the following remedial steps: (a) with or without terminating the agreement, retake possession of the equipment and sell, lease or sublease the equipment for the account of the Commission, to be applied to the Commission's obligations hereunder, holding the Commission liable for the purchase price applicable on the rent payment due date immediately preceding the date of default, plus the rental payments due on such date, plus any other amounts payable by the Commission hereunder including, but not limited to, attorney's fees, expenses and costs of repossession; (b) require the Commission to promptly return the equipment; (c) if the lessor is unable to repossess the equipment for any reason, the equipment shall be deemed a total loss and the Commission shall pay the lessor the amounts due and (d) take whatever legal action allowed by law. The agreement was paid for in full and items were sold in fiscal year 2020.

On March 23 2020, the Commission entered into a capital lease agreement for \$244,194 at 1.86% interest rate to purchase two dump Trucks. The payments for this capital lease are made from the Special Sales Tax Fund. In the event of default, the lessor shall have the right, at its sole option without any further demand or notice, take one or any combination of the following remedial steps: (a) with or without terminating the agreement, retake possession of the equipment and sell, lease or sublease the equipment for the account of the Commission, to be applied to the Commission's obligations hereunder, holding the Commission liable for the purchase price applicable on the rent payment due date immediately preceding the date of default, plus the rental payments due on such date, plus any other amounts payable by the Commission hereunder including, but not limited to, attorney's fees, expenses and costs of repossession; (b) require the Commission to promptly return the equipment; (c) if the lessor is unable to repossess the equipment for any reason, the equipment shall be deemed a total loss and the Commission shall pay the lessor the amounts due and (d) take whatever legal action allowed by law.

Notes to the Financial Statements

For the Year Ended September 30, 2020

On March 23, 2020, the Commission entered into a capital lease agreement for \$995,792 at 1.86% interest rate to purchase eight dump trucks. The payments for this capital lease are made from the Gasoline Tax Fund. In the event of default, the lessor shall have the right, at its sole option without any further demand or notice, take one or any combination of the following remedial steps: (a) with or without terminating the agreement, retake possession of the equipment and sell, lease or sublease the equipment for the account of the Commission, to be applied to the Commission's obligations hereunder, holding the Commission liable for the purchase price applicable on the rent payment due date immediately preceding the date of default, plus the rental payments due on such date, plus any other amounts payable by the Commission hereunder including, but not limited to, attorney's fees, expenses and costs of repossession; (b) require the Commission to promptly return the equipment; (c) if the lessor is unable to repossess the equipment for any reason, the equipment shall be deemed a total loss and the Commission shall pay the lessor the amounts due and (d) take whatever legal action allowed by law.

On March 23, 2020, the Commission entered into a capital lease agreement for \$143,700 at 1.86% interest rate to purchase six dump bodies. The payments for this capital lease are made from the Gasoline Tax Fund. In the event of default, the lessor shall have the right, at its sole option without any further demand or notice, take one or any combination of the following remedial steps: (a) with or without terminating the agreement, retake possession of the equipment and sell, lease or sublease the equipment for the account of the Commission, to be applied to the Commission's obligations hereunder, holding the Commission liable for the purchase price applicable on the rent payment due date immediately preceding the date of default, plus the rental payments due on such date, plus any other amounts payable by the Commission hereunder including, but not limited to, attorney's fees, expenses and costs of repossession; (b) require the Commission to promptly return the equipment; (c) if the lessor is unable to repossess the equipment for any reason, the equipment shall be deemed a total loss and the Commission shall pay the lessor the amounts due and (d) take whatever legal action allowed by law.

Notes to the Financial Statements

For the Year Ended September 30, 2020

On February 14, 2020, the Commission entered into a capital lease agreement for \$1,201,990 at 1.86% interest rate to purchase five motor graders. The payments for this capital lease are made from the Gasoline Tax Fund. In the event of default, the lessor shall have the right, at its sole option without any further demand or notice, take one or any combination of the following remedial steps: (a) with or without terminating the agreement, retake possession of the equipment and sell, lease or sublease the equipment for the account of the Commission, to be applied to the Commission's obligations hereunder, holding the Commission liable for the purchase price applicable on the rent payment due date immediately preceding the date of default, plus the rental payments due on such date, plus any other amounts payable by the Commission hereunder including, but not limited to, attorney's fees, expenses and costs of repossession; (b) require the Commission to promptly return the equipment; (c) if the lessor is unable to repossess the equipment for any reason, the equipment shall be deemed a total loss and the Commission shall pay the lessor the amounts due and (d) take whatever legal action allowed by law.

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 and Notes from					
Direct Borrowing:					
General Obligation Warrants, Series 2015	\$12,185,000.00	\$	\$ (520,000.00)	\$11,665,000.00	\$ 540,000.00
General Obligation Warrants, Series 2016	1,980,000.00		(100,000.00)	1,880,000.00	100,000.00
Total Warrants Payable	<u>14,165,000.00</u>		<u>(620,000.00)</u>	<u>13,545,000.00</u>	<u>640,000.00</u>
Other Liabilities:					
Capital Leases Payable:					
Two Mack P164T Tractors		244,194.00	(23,558.99)	220,635.01	47,447.77
Eight Mack GR64 Dump Trucks		995,792.00	(96,070.69)	899,721.31	193,486.16
Six Stampede Dump Bodies		143,700.00	(13,863.73)	129,836.27	27,921.51
Five Cat 140 Motor Graders		1,201,990.00	(67,506.80)	1,134,483.20	117,010.91
Five 12M2 Motor Graders	909,271.61		(909,271.61)		
Two Lowboy Tractors	113,827.86		(113,827.86)		
Two Triaxle Dump Trucks	141,030.26		(141,030.26)		
Five Mack GR64F Dump Trucks	573,334.99		(573,334.99)		
Sub-Total Capital Leases Payable	<u>1,737,464.72</u>	<u>2,585,676.00</u>	<u>(1,938,464.93)</u>	<u>2,384,675.79</u>	<u>385,866.35</u>
Compensated Absences	576,251.40	450,285.45		1,026,536.85	102,653.69
Net Pension Liability	<u>1,860,369.00</u>	<u>791,744.00</u>		<u>2,652,113.00</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$18,339,085.12</u>	<u>\$3,827,705.45</u>	<u>\$(2,558,464.93)</u>	<u>\$19,608,325.64</u>	<u>\$1,128,520.04</u>

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

Payments on the bonds payable that pertain to the Commission's governmental activities are made by the General Fund. The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. Approximately 96% has been paid by the General Fund, 3% by the Reappraisal Fund, and 1% 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
	Warrants Payable		Capital Leases Payable		
	Principal	Interest	Principal	Interest	
September 30, 2021	\$ 640,000.00	\$ 488,933.72	\$ 385,866.35	\$ 41,076.49	\$ 1,546,251.60
2022	670,000.00	465,733.64	393,104.96	33,837.88	1,567,651.60
2023	700,000.00	435,803.72	400,479.37	26,463.47	1,567,996.60
2024	730,000.00	404,373.68	407,992.11	18,950.73	1,470,116.60
2025	770,000.00	371,023.68	797,233.00	5,807.28	1,954,189.04
2026-2030	4,285,000.00	1,381,128.68			5,740,188.18
2031-2035	5,120,000.00	563,069.12			5,760,493.85
2036-2040	630,000.00	21,075.00			1,142,640.63
Totals	\$13,545,000.00	\$4,131,141.24	\$2,384,675.79	\$126,135.85	\$20,767,528.10

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 \$100,000,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

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

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

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

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

Note 12 – Interfund Transactions

Interfund Receivables/Payables

The amount due to/from other funds at September 30, 2020, were as follows:

	<u>Interfund Payables</u>		Totals
	General Fund	Other Governmental Funds	
<u>Interfund Receivables:</u>			
General Fund	\$301,853.49	\$	\$301,853.49
Other Governmental Funds	1,697.28	125,000.00	126,697.28
Totals	<u>\$303,550.77</u>	<u>\$125,000.00</u>	<u>\$428,550.77</u>

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

Interfund Transfers

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

	<u>Transfers Out</u>	
	Other Governmental Funds	Totals
Transfers In:		
General Fund	\$2,242,013.07	\$2,242,013.07
Other Governmental Funds	425,000.00	425,000.00
Totals	<u>\$2,667,013.07</u>	<u>\$2,667,013.07</u>

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

Note 13 – Related Organizations

The Elmore County Commission appoints a majority of the members of the board to several agencies. The Commission, however, is not financially accountable for these organizations because it does not impose its will and does not have a financial benefit or burden relationship with the organizations. These organizations are not considered part of the Commission’s financial reporting entity. These organizations are considered related organizations of the County Commission. The following is a list of the related organizations:

- | |
|---|
| <p>Central Elmore Water and Sewer Authority
 E-911 Board
 Elmore Water Authority
 Elmore Community Hospital
 Horseshoe Bend Regional Library
 The Ridge Improvement District
 The Elmore County Department of Human Resources
 Elmore County Economic Development Authority
 Elmore County Impact Crater Commission
 Montgomery Area Mental Health Authority
 Elmore County Public Building Authority
 Elmore County Public Education Cooperative District
 Crenshaw Park Board
 Elmore/Autauga Community Action
 Southeast Alabama EMS Inc.
 MPO Citizens Advisory Committee</p> |
|---|

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

Note 14 – Subsequent Events

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of citizenry as well as employees. As expected, the Elmore County Commission incurred an increase in costs associated with the aftermath of COVID-19. These costs, in the amount of \$2,408,199 were reimbursed through the Coronavirus Relief Fund of the federal government during fiscal years 2020 and 2021. The Commission was also eligible for and received approximately \$7,886,948 through the American Rescue Plan Act of 2021 from the federal government during fiscal year 2021. Otherwise, the Commission does not anticipate there will be any other significant increase or decrease in revenues or costs associated with the aftermath of COVID-19. Budgets have not been significantly impacted at this time; however, the duration and severity of the effects of COVID-19 are still indeterminable at this time.

The Elmore County Commission engaged in a public-private partnership between Grandview Family YMCA, the City of Millbrook, and the Elmore County Board of Education for the construction of a \$40+ million sports complex in Millbrook, located on US Highway 14. The Fields at Seventeen Springs will include five soccer fields, six tennis courts, four baseball/softball fields, a football field, championship baseball field, a large multipurpose field house. Construction will be in three phases, which began in 2021. Initially the complex will cover about 120 acres.

As part of this agreement the Commission entered into a General Obligation Warrants, Series 2022 on May 9, 2022, in the amount of \$34,350,000 for the purpose of financing certain capital improvements within the county.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 15 – Tax Abatements

The Commission and municipalities within Elmore County enters into property tax abatement agreements and other economic incentive agreements with local businesses under the authority of the State Tax Incentive Reform Act of 1992 (*Code of Alabama 1975*, Sections 40-9B-1 through 40-9B-13). According to the Act, localities may grant 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. Under the Act, localities may grant property tax abatements for up to 20 years, as well as other incentives for the purpose of attracting or retaining businesses within their jurisdictions. Typically, ad-valorem taxes are abated for ten years. Sales and use taxes are abated through exemptions granted on purchases for specified construction or equipment purchases. The abatements may be granted to any business located within or promising to relocate to Elmore County.

The following is a summary of the taxes that were abated for Elmore County during the fiscal year ended September 30, 2020:

Company	Granting Jurisdiction	Purpose	Property Tax Abated	Percentage of Abatements
Machining Plant	City of Wetumpka	Industrial Expansion	\$ 471.75	2%
Heavy Construction	City of Wetumpka	Industrial Expansion	538.35	2%
Supplier	City of Tallassee	Industrial Expansion	213.30	1%
Supplier	City of Tallassee	Industrial Expansion	4,329.15	14%
Supplier	City of Tallassee	Industrial Expansion	2,967.00	10%
Manufacturer	City of Tallassee	Industrial Expansion	5,219.25	17%
Manufacturer	City of Tallassee	Industrial Expansion	391.35	1%
Manufacturer	City of Tallassee	Industrial Expansion	5,943.75	19%
Manufacturer	Elmore County Commission	Industrial Expansion	2,431.05	8%
Manufacturer	Elmore County Commission	Industrial Expansion	351.30	1%
Manufacturer	Elmore County Commission	Industrial Expansion	8,036.85	26%
Total			<u>\$30,893.10</u>	<u>100%</u>

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	\$ 685,875	\$ 707,050	\$ 703,722	\$ 712,200	\$ 716,441	\$ 679,026
Interest	1,785,862	1,731,110	1,648,688	1,559,295	1,411,051	1,318,346
Differences between expected and actual experience	(50,986)	(634,285)	(313,013)	(271,145)	646,266	
Changes of assumptions		137,530		774,004		
Benefit payments, including refunds of employee contributions	(1,248,705)	(1,039,811)	(946,706)	(868,891)	(972,503)	(704,638)
Transfer among employers	(3,500)	58,952	17,375	(84,352)		
Net change in total pension liability	1,168,546	960,546	1,110,066	1,821,111	1,801,255	1,292,734
Total pension liability - beginning	23,817,361	22,856,815	21,746,749	19,925,638	18,124,383	16,831,649
Total pension liability - ending (a)	\$ 24,985,907	\$ 23,817,361	\$ 22,856,815	\$ 21,746,749	\$ 19,925,638	\$ 18,124,383
Plan fiduciary net position						
Contributions - employer	\$ 513,842	\$ 485,133	\$ 477,398	\$ 521,781	\$ 509,915	\$ 519,370
Contributions - employee	553,722	465,729	448,632	439,242	436,210	433,249
Net investment income	561,443	1,861,199	2,284,609	1,648,976	190,152	1,691,194
Benefit payments, including refunds of employee contributions	(1,248,705)	(1,039,811)	(946,706)	(868,891)	(972,503)	(704,638)
Other (Transfers among employers)	(3,500)	58,952	17,375	(84,352)	(34,378)	296,489
Net change in plan fiduciary net position	376,802	1,831,202	2,281,308	1,656,756	129,396	2,235,664
Plan fiduciary net position - beginning	21,956,992	20,125,790	17,844,482	16,187,726	16,058,330	13,822,666
Plan fiduciary net position - ending (b)	\$ 22,333,794	\$ 21,956,992	\$ 20,125,790	\$ 17,844,482	\$ 16,187,726	\$ 16,058,330
County's net pension liability - ending (a) - (b)	\$ 2,652,113	\$ 1,860,369	\$ 2,731,025	\$ 3,902,267	\$ 3,737,912	\$ 2,066,053
Plan fiduciary net position as a percentage of the total pension liability	89.39%	92.19%	88.05%	82.06%	81.24%	88.60%
Covered payroll (*)	\$ 9,053,844	\$ 8,423,220	\$ 8,175,485	\$ 8,052,831	\$ 8,107,780	\$ 8,147,430
Net pension liability (assets) as a percentage of covered payroll	29.29%	22.09%	33.41%	48.46%	46.10%	25.36%

(*) 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 for fiscal year 2017.

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

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

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 490,088	\$ 513,842	\$ 485,133	\$ 477,398	\$ 521,781	\$ 509,915	\$ 519,370
Contributions in relation to the actuarially determined contribution (*)	\$ 490,088	\$ 513,842	\$ 485,133	\$ 477,398	\$ 521,781	\$ 509,915	\$ 519,370
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 8,660,743	\$ 9,053,844	\$ 8,423,220	\$ 8,175,485	\$ 8,052,831	\$ 8,107,780	\$ 8,147,430
Contributions as a percentage of covered payroll	5.66%	5.68%	5.76%	5.84%	6.48%	6.29%	6.37%

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of the Employer'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:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	19 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375-5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Taxes	\$ 7,698,000.00	\$ 7,698,000.00	\$ 7,831,987.51	(1)	\$ 2,570,607.92	\$ 10,402,595.43
Licenses and Permits	93,000.00	93,000.00	96,853.27			96,853.27
Intergovernmental	2,382,967.64	3,535,248.01	5,334,548.25	(1)	2,358,538.74	7,693,086.99
Charges for Services	2,255,000.00	2,255,000.00	2,727,453.09	(1)	23,453.11	2,750,906.20
Fines and Forfeits	3,000.00	3,000.00	466.13			466.13
Miscellaneous	718,950.00	718,950.00	309,311.89	(1)	1,102,724.21	1,412,036.10
Total Revenues	13,150,917.64	14,303,198.01	16,300,620.14		6,055,323.98	22,355,944.12
Expenditures						
Current:						
General Government	4,795,574.30	5,374,924.25	3,838,751.58	(2)	1,546,157.13	5,384,908.71
Public Safety	8,268,314.78	8,459,533.20	8,434,553.50	(2)	601,998.44	9,036,551.94
Highways and Roads				(2)	4,801,386.97	4,801,386.97
Health	94,626.32	94,626.32	347,902.37			347,902.37
Welfare	58,251.00	58,251.00	41,931.12			41,931.12
Culture and Recreation	18,365.00	18,365.00	8,359.32	(2)	65,720.63	74,079.95
Education	251,800.00	551,245.00	357,483.89	(2)	8,270.15	365,754.04
Capital Outlay	382,612.80	418,179.80	460,285.06	(2)	5,346,668.15	5,806,953.21
Debt Service:						
Principal Retirement				(2)	2,558,464.93	2,558,464.93
Interest and Fiscal Charges				(2)	539,813.94	539,813.94
Total Expenditures	13,869,544.20	14,975,124.57	13,489,266.84		15,468,480.34	28,957,747.18
Excess (Deficiency) of Revenues Over Expenditures	(718,626.56)	(671,926.56)	2,811,353.30		(9,413,156.36)	(6,601,803.06)
Other Financing Sources (Uses)						
Transfers In	1,200,000.00	1,200,000.00		(3)	2,242,013.07	2,242,013.07
Sale of Capital Assets	60,000.00	60,000.00	716.88	(3)	2,223,388.50	2,224,105.38
Debt Issued				(3)	2,585,676.00	2,585,676.00
Transfers Out	(1,200,000.00)	(1,200,000.00)				
Total Other Financing Sources (Uses)	60,000.00	60,000.00	716.88		7,051,077.57	7,051,794.45
Net Change in Fund Balances	(658,626.56)	(611,926.56)	2,812,070.18		(2,362,078.79)	449,991.39
Fund Balances - Beginning of Year	2,458,276.01	1,206,400.72	7,329,866.74	(4)	2,747,244.28	10,077,111.02
Fund Balances - End of Year	\$ 1,799,649.45	\$ 594,474.16	\$ 10,141,936.92		\$ 385,165.49	\$ 10,527,102.41

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

Explanation of differences:

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

(1) Revenues:			
Gasoline Tax Fund	\$	2,086,555.67	
Public Buildings, Roads and Bridges Fund		3,404,336.10	
Public Highway and Traffic Fund		286,555.94	
Mineral Severance Tax Fund		92,428.03	
Environmental Fund		182,813.18	
General Obligation Warrants Fund		5.21	
Debt Obligation		2,629.85	
		<u>2,629.85</u>	\$ 6,055,323.98
(2) Expenditures:			
Gasoline Tax Fund	\$	8,720,518.77	
Public Buildings, Roads and Bridges Fund		5,628,210.21	
Debt Service Fund		1,119,751.36	
		<u>1,119,751.36</u>	(15,468,480.34)
(3) Other Financing Sources/(Uses), Net			
Gasoline Tax Fund	\$	4,402,689.07	
Public Buildings, Roads and Bridges Fund		83,926.00	
Public Highway and Traffic Fund		2,139,462.50	
Debt Service Fund		425,000.00	
		<u>425,000.00</u>	<u>7,051,077.57</u>
Net Change in Fund Balance - Budget to GAAP			<u>\$ (2,362,078.79)</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 Balance 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	\$ 1,259,924.00	\$ 1,259,924.00	\$ 1,156,977.07		\$ 1,156,977.07
Miscellaneous	7,700.00	7,700.00	7,367.17		7,367.17
Total Revenues	1,267,624.00	1,267,624.00	1,164,344.24		1,164,344.24
Expenditures					
Current:					
General Government	1,120,984.00	1,186,094.25	1,114,344.24		1,114,344.24
Capital Outlay	130,000.00	64,889.75	50,000.00		50,000.00
Total Expenditures	1,250,984.00	1,250,984.00	1,164,344.24		1,164,344.24
Excess (Deficiency) of Revenues Over Expenditures	16,640.00	16,640.00			
Other Financing Sources (Uses)					
Sale of Capital Assets					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances					
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$ 16,640.00	\$ 16,640.00	\$	\$	\$

Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
<u>Passed Through Alabama Department of</u>			
<u>Economic and Community Affairs</u>			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	CY-ED-PF-18-014	\$ 150,000.00
<u>U. S. Department of Interior</u>			
<u>Direct Program</u>			
Payments in Lieu of Taxes	15.226	N.A.	2,927.00
<u>U. S. Department of Justice</u>			
<u>Passed Through Alabama Department of</u>			
<u>Economic and Community Affairs</u>			
Violence Against Women Formula Grants	16.588	18 WF LE 003	37,685.64
Violence Against Women Formula Grants	16.588	19 WF LE 003	114,674.94
Sub-Total Violence Against Women Formula Grants			<u>152,360.58</u>
<u>Direct Program</u>			
Equitable Sharing Program	16.922	N.A.	<u>31,820.97</u>
Total U. S. Department of Justice			<u>184,181.55</u>
<u>U. S. Department of Treasury</u>			
<u>Passed Through Alabama Department of Finance State Comptroller</u>			
COVID 19 - Coronavirus Relief Fund	21.019	N.A.	1,812,513.09
<u>Appalachian Regional Commission</u>			
Appalachian Development Highway System	23.003	ARC - AL-19661-2019	<u>80,457.30</u>
Total U. S. Department of Treasury			<u>1,892,970.39</u>
<u>U. S. Election Assistance Commission</u>			
<u>Passed Through Alabama Secretary of State</u>			
Help America Vote Act Requirements Payments	90.401	N.A.	41,896.61
COVID 19 - Help America Vote Act Requirements Payments	90.401	N.A.	<u>8,757.22</u>
Total U. S. Election Assistance Commission			<u>50,653.83</u>
<u>Executive Office of the President</u>			
<u>Passed Through Alabama Law Enforcement Agency</u>			
High Intensity Drug Trafficking Areas Program	95.001	N.A.	<u>19,993.01</u>
Sub-Total Forward			\$ 2,300,725.78

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
Sub-Total Brought Forward			\$ 2,300,725.78
<u>U. S. Department of Homeland Security</u>			
<u>Passed Through Alabama Emergency Management Agency</u>			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4503-13-PA-AL	8,517.14
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4503-18-PA-AL	3,269.10
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4503-19-PA-AL	86,339.19
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4503-21-PA-AL	9,119.06
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4503-40-PA-AL	19,053.53
Sub-Total Disaster Grants-Public Assistance (Presidentially Declared Disasters)			<u>126,298.02</u>
Emergency Management Performance Grants	97.042	19-EMS	40,741.00
Emergency Management Performance Grants	97.042	20-EMS	41,320.00
Sub-Total Emergency Management Performance Grants			<u>82,061.00</u>
<u>Passed Through Alabama Law Enforcement Agency</u>			
Homeland Security Grant Program	97.067	ALEA 8LOC	30,659.25
Homeland Security Grant Program	97.067	9CYB	4,460.61
Homeland Security Grant Program	97.067	9LOC	165,510.45
Sub-Total Homeland Security Grant Program			<u>200,630.31</u>
Total U. S. Department of Homeland Security			<u>408,989.33</u>
<u>Other Federal Assistance</u>			
<u>U. S. Department of Justice</u>			
<u>Direct Program</u>			
Drug Enforcement Grants (DEA Overtime Reimbursement)	N.A.	N.A.	15,664.92
Drug Enforcement Grants (Organized Crime Drug ETF)	N.A.	N.A.	15,512.45
Total Other Federal Assistance			<u>31,177.37</u>
Total Expenditures of Federal Awards			<u>\$ 2,740,892.48</u>

N.A. = Not Applicable or Not Available

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 Elmore 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 Elmore County Commission, it is not intended to and does not present the financial position or changes in net position of the Elmore County Commission.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

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

Additional Information

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

Commission Members

Term Expires

Hon. Troy Stubbs	Chairman	November 2024
Hon. Mack Daugherty	Vice-Chairman	November 2024
Hon. Kenneth Holt	Member	November 2020
Hon. Bart Mercer	Member	November 2024
Hon. Earl Reeves	Member	November 2020

Administrative Personnel

Walter R. Beyer, IV	Chief Operations Officer	Indefinite
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***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Independent Auditor's Report

Members of the Elmore County Commission and Chief Operations Officer
Wetumpka, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmore County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Elmore County Commission's basic financial statements, and have issued our report thereon dated April 13, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

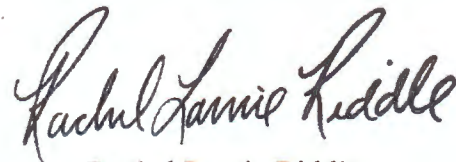
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Report on Compliance and Other Matters

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

April 13, 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 Elmore County Commission and
Chief Operations Officer
Wetumpka, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Uniform Guidance* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Elmore County Commission's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Elmore County Commission's response to the noncompliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Elmore County Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

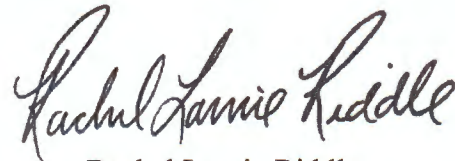
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Finding and Questioned Costs as Finding 2020-001 to be a significant deficiency.

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

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

Government Auditing Standards requires the auditor to perform limited procedures on the Elmore County Commission's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Elmore County Commission's response to the internal control over compliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Elmore County Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

April 13, 2023

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I – Summary of Examiner's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X 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?

 X Yes _____ None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?

 X Yes _____ No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.019	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, 2020

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2020-001
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Compliance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
AL Number(s) and Title(s):	21.019 – Coronavirus Relief Fund
Federal Awarding Agency:	U. S. Department of Treasury
Federal Award Number:	None
Pass-through Entity:	Alabama Department of Finance
Pass-through Award Number:	None
Questioned Costs:	\$76,844.00

Coronavirus Relief Funds were reimbursed in excess of the amounts allowed.

Finding

The *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* 2 CFR 200.303, states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal Award in compliance with the Federal Statutes, regulations, and the terms and conditions of the Federal award. The Compliance Requirements for the Coronavirus Relief Fund require funding to be used to cover the costs of necessary expenditures incurred due to the public health emergency with respect to COVID-19. The Commission submitted reimbursement requests to the State to receive their share of Coronavirus Relief Funds, including reimbursements for leave paid on behalf of employees in accordance with the Families First Coronavirus Response Act. Testing revealed that the Commission requested and received duplicate reimbursements for leave totaling \$64,748.00. The Commission also made a clerical error on one worksheet used to support amounts requested for reimbursement which resulted in an additional reimbursement error of \$12,096.00. Controls were not in place to ensure all reimbursement requests for Coronavirus Relief Funds were calculated correctly. As a result, the Commission received reimbursement from Coronavirus Relief Funds in excess of what was allowable.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Recommendation

The Commission should establish policies and procedures to ensure expenses claimed for reimbursement are allowable.

Views of Responsible Officials of the Auditee

The subject reimbursement requests were reviewed internally and externally by the Alabama Department of Finance (ADOF) for correctness and thoroughness prior to reimbursement from the ADOF. The County also produced reimbursement requests well in excess of not only the subject amount referenced above but also well over the state allocated CARES Act funds the County was eligible to receive reimbursement. Only a portion of the subject reimbursement amount was even applied for reimbursement. Regardless, the County will increase efforts to provide internal review of these type items to ensure clarify of reimbursements and/or costs moving forward on state and federally funded projects.

Auditor Response

We appreciate the Commission's response. However, our audit position remains that the Commission should establish policies and procedures to ensure expenses claimed for reimbursement are allowable.

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Auditee Response/Corrective Action Plan

Elmore County Commission

Henry Hines
District 1

Bart Mercer
Chairman, District 4

Dennis Hill
District 3

Mack Daugherty
District 2



Desirae Lewis Jackson
District 5

March 15, 2023

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 Elmore County Commission has prepared and hereby submits the following Corrective Action Plan for the findings which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2020.

**Finding
Ref.
No.**

Corrective Action Plan Details

2020-001

Finding:

The ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*** (Uniform Guidance) 2 CFR 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal Award in compliance with the Federal Statutes, regulations, and the terms and conditions of the Federal award. The compliance requirements for the Coronavirus Relief Fund require funding to be used to cover the costs of necessary expenditures incurred due to the public health emergency with respect to COVID-19. The Commission submitted reimbursement requests to the State to receive their share of Coronavirus Relief Funds, including reimbursements for leave paid on behalf of employees in accordance with the Families First Coronavirus Response Act. Testing revealed that the Commission requested and received duplicate reimbursements for leave totaling \$64,748.00. The Commission also made a clerical error on one worksheet used to support amounts requested for reimbursement which resulted in an additional reimbursement error of \$12,096.00. Controls were not in place to ensure all reimbursement requests for Coronavirus Relief Funds were calculated correctly. As a result, the Commission received reimbursement from Coronavirus Relief Funds in excess of what was allowable.

Elmore County Commission

Henry Hines
District 1

Bart Mercer
Chairman, District 4

Dennis Hill
District 3

Mack Daugherty
District 2



Desirae Lewis Jackson
District 5

Recommendation:

The Commission should establish policies and procedures to ensure expenses claimed for reimbursement are allowable.

Response/Views: The subject reimbursement requests were reviewed internally and externally by the Alabama Department of Finance (ADOF) for correctness and thoroughness prior to reimbursement from the ADOF. The County also produced reimbursement requests well in excess of not only the subject amount referenced above but also well over the state allocated CARES Act funds the County was eligible to receive reimbursement. Only a portion of the subject reimbursable amount was even applied for reimbursement. Regardless, the County will increase efforts to provide internal review of these type items to ensure clarity of reimbursements and/ or costs moving forward on state and federally funded projects.

Corrective Action Planned: The County will increase efforts to provide internal review of these type items to ensure clarity of reimbursements and/ or costs moving forward on state and federally funded projects.

Anticipated Completion Date: Corrective actions have been implemented since the discovery and explanation of this issue in late 2022.

Contact Person(s): The contact person for this corrective action plan, if necessary, is Richie Beyer, Elmore County Chief Operations Officer.

Chairman, Elmore County Commission