

Report on the

# Macon County Commission

Macon County, Alabama

October 1, 2014 through September 30, 2015

Filed: May 11, 2018



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





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

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Ronald L. Jones  
Chief Examiner

Honorable Ronald L. Jones  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, we submit this report on the results of the audit of the Macon County Commission, Macon County, Alabama, for the period October 1, 2014 through September 30, 2015.

Sworn to and subscribed before me this  
the 5<sup>th</sup> day of April, 2018.

Alice M Fitzgerald  
Notary Public

Sworn to and subscribed before me this  
the 5<sup>th</sup> day of April, 2018.

Alice M Fitzgerald  
Notary Public

Respectfully submitted,

David J. Lane, Sr.  
Examiner of Public Accounts

Matthew Robinson  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Macon County Commission  
October 1, 2014 through September 30, 2015**

The Macon County Commission (the “Commission”) is a five-member body elected by the citizens of Macon County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 15. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services, and educational services to the citizens of Macon County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12, as added by Act Number 2018-129.

A disclaimer of opinion was issued on the basic financial statements, which means we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Commission’s financial statements for the fiscal year ended September 30, 2015. The basis for the disclaimer of opinion is explained in the Independent Auditor’s Report.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

Findings that were presented in prior audits have not been resolved as shown on the Schedule of State and Local Compliance and Other Findings and they are summarized below.

**UNRESOLVED PRIOR FINDINGS**

- ◆ 2014-001 relates to the Commission’s failure to maintain a listing of payables recorded in its Agency Funds.
- ◆ 2013-004 relates to the Commission’s failure to obtain and file the required bonds for the Commissioners.

- ◆ 2013-008 relates to the Commission loaning restricted funds to the General Fund.
- ◆ 2008-003 relates to the Commission budgeting fund deficits.
- ◆ 2007-001 relates to deficit fund balances.

Problems were found with the Commission's internal controls over financial reporting as shown on Exhibit 16 and they are summarized below.

- ◆ 2015-001 relates to the Commission's failure to include all financial transactions on its financial statements.
- ◆ 2015-002 relates to the Commission's failure to establish internal controls to mitigate the lack of segregation of duties.
- ◆ 2014-002 relates to the Commission's failure to reconcile retirement remittances to retirement expenses recorded in the financial statements.

The following officials/administrative personnel were invited to an exit conference to discuss the findings and recommendations appearing in this report: Administrator of the County Commission: Susan Thomas; Louis Maxwell, Commission Chairman; and Commissioners: Miles D. Robinson, Edward Huffman, Andrew D. Thompson, Jr. and Robert M. Berry. The following individuals attended the exit conference held at the offices of the Commission: Louis Maxwell, Commission Chairman; Commissioners: Miles D. Robinson, Edward Huffman, Andrew D. Thompson, Jr. and Robert M. Berry; Susan Thomas, County Administrator; and representatives from the Department of Examiners of Public Accounts: Tammy D. Shelley, Audit Manager; and Examiners: David J. Lane, Sr. and Matthew Robinson.

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*Schedule of State and Local  
Compliance and Other Findings*

***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2015***

Ref. No.	Finding/Noncompliance
2014-001	<p><b><u>Finding:</u></b>  Generally Accepted Accounting Principles provide for the use of Agency Funds which are maintained by the County Commission to report assets held by the Commission in a purely custodial capacity. Amounts held in these funds are payable to other parties. During the audit period, the Commission did not maintain a listing of the payables to support the amount recorded in its Agency Funds.</p> <p><b><u>Recommendation:</u></b>  The Commission should maintain lists, printouts or other supporting documentation to support the payable balances of the Agency Funds.</p>
2013-004	<p><b><u>Finding:</u></b>  Chapter 2 of Title 11 of the <i>Code of Alabama 1975</i>, requires County Commissioners to obtain a bond in the amount of one-half of one percent of the amount budgeted in the County General Fund effective prior to the current term of office. It also requires the bond to be filed in the office of the Probate Judge no later than the date that the Commissioner takes office. Bonds were filed for the Commissioners as required in the office of the Probate Judge; however, the amounts of the bonds recorded were less than the required amount and some bonds were filed after the Commissioner took office.</p> <p><b><u>Recommendation:</u></b>  The amounts of Commissioner's bonds should be in accordance with Chapter 2 of Title 11 of the <i>Code of Alabama 1975</i>, and should be filed in the office of the Probate Judge no later than the date that the Commissioner takes office.</p>
2013-008	<p><b><u>Finding:</u></b>  The <i>Code of Alabama 1975</i>, Section 11-29-6, the legal authority for the Capital Improvement Fund, states these funds are to be used to assist in the restoration and improvement of county government buildings, bridges, roads, streets, and other facilities, and to promote the health, safety, and public welfare of the citizens of the state. The Commission made loans from the Capital Improvement Fund to the General Fund during fiscal year 2015. The Commission was unable to provide documentation that expenditures made by the General Fund were in accordance with the <i>Code of Alabama 1975</i>, Section 11-29-6. At September 30, 2015, the General Fund owed the Capital Improvement Fund \$1,476,600.00.</p> <p><b><u>Recommendation:</u></b>  The Commission should not make interfund loans using restricted funds and should pay back the remaining \$1,476,600.00 due to the Capital Improvement Fund from the General Fund.</p>

***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2015***

Ref. No.	Finding/Noncompliance								
2008-003	<p><b><u>Finding:</u></b>            The <i>Code of Alabama 1975</i>, Section 11-8-3, requires the Commission to budget appropriations that are not in excess of estimated total revenues available for appropriations. The Commission’s budgets for fiscal year 2015 did not take existing deficit fund balances into account.</p> <p><b><u>Recommendation:</u></b>            The Commission should budget appropriations within the estimated total revenues available for appropriations in accordance with the <i>Code of Alabama 1975</i>, Section 11-8-3.</p>								
2007-001	<p><b><u>Finding:</u></b>            The <i>Code of Alabama 1975</i>, Section 11-8-10, states that the Commission shall not issue warrants until funds are available. The following funds had deficit fund balances at September 30, 2015: General Fund, Gasoline Tax Fund, and Supernumerary Fund.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Fund</th> <th style="text-align: right;">Deficit Fund Balance</th> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td style="text-align: right;">\$1,712,972.41</td> </tr> <tr> <td>Gasoline Tax Fund</td> <td style="text-align: right;">\$ 423,189.76</td> </tr> <tr> <td>Supernumerary Fund</td> <td style="text-align: right;">\$ 92.40</td> </tr> </tbody> </table> <p><b><u>Recommendation:</u></b>            The Commission should issue warrants only from available funds and should not enter into obligations exceeding available resources.</p>	Fund	Deficit Fund Balance	General Fund	\$1,712,972.41	Gasoline Tax Fund	\$ 423,189.76	Supernumerary Fund	\$ 92.40
Fund	Deficit Fund Balance								
General Fund	\$1,712,972.41								
Gasoline Tax Fund	\$ 423,189.76								
Supernumerary Fund	\$ 92.40								

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Macon County Commission and the County Administrator  
Tuskegee, Alabama

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

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Commission, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Macon County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on conducting the 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. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Disclaimer
Governmental Fund – General Fund	Disclaimer
Governmental Fund – Gasoline Tax Fund	Disclaimer
Governmental Fund – Capital Improvement Fund	Disclaimer
Governmental Fund – Indigent Care Fund	Disclaimer
Aggregate Remaining Fund Information	Disclaimer



**Basis for Disclaimer of Opinion on Governmental Activities, Each Major Fund and the Aggregate Remaining Fund Information**

Substantially all of the Macon County Commission's documentation for its expenditures, including payroll, were destroyed in a fire at the courthouse on July 9, 2016. The records that remain are not sufficient to permit the application of auditing procedures that would be adequate for us to express an opinion on the accompanying financial statements.

**Disclaimer of Opinion**

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

**Emphasis of Matter**

As discussed in Note 14 to the financial statements, during the fiscal year ended September 30, 2015, the Macon County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

**Other Matters**

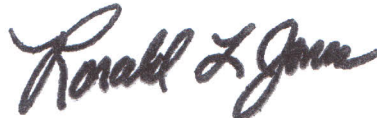
*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 9 through 14), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Macon County Commission has not presented a Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with **Government Auditing Standards**, we have also issued our report dated March 19, 2018, on our consideration of the Macon County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Macon County Commission's internal control over financial reporting and compliance.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 19, 2018

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# *Basic Financial Statements*

***Statement of Net Position***  
***September 30, 2015***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 625,352.11
Cash with Fiscal Agent	249,895.91
Investments	372,286.30
Ad Valorem Taxes Receivable	1,766,841.64
Receivables, Net (Note 4)	454,244.99
Capital Assets (Note 5)	16,324,667.12
Total Assets	<u>19,793,288.07</u>
<b><u>Deferred Outflows of Resources</u></b>	
Unamortized Deferred Loss on Refunding Related to Defined Benefit Pension Plan	249,003.88
Total Deferred Outflows of Resources	<u>276,553.64</u> <u>525,557.52</u>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Payables	837,161.00
Unearned Revenue	104,537.24
Salaries and Benefits Payable	268,110.01
Accrued Interest Payable	41,469.17
Long-Term Liabilities:	
Portion Payable Within One Year:	
Funding Agreement Payable	95,000.00
Warrants Payable	190,000.00
Less: Unamortized Discount	(7,887.89)
Estimated Liability for Compensated Absences	49,199.88
Portion Payable After One Year:	
Funding Agreement Payable	4,495,000.00
Warrants Payable	5,585,000.00
Less: Unamortized Discount	(165,775.32)
Net Pension Liability	1,768,977.00
Estimated Liability for Compensated Absences	442,798.95
Total Liabilities	<u>13,703,590.04</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes Related to Defined Benefit Pension Plan	1,766,841.64
Total Deferred Inflows of Resources	<u>323,356.00</u> <u>\$ 2,090,197.64</u>

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

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	<b>Governmental Activities</b>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ 6,441,478.06
Restricted for:	
Capital Projects	1,679,825.89
Debt Service	149,282.89
Other Purposes	579,732.38
Unrestricted	<u>(4,325,261.31)</u>
Total Net Position	<u>\$ 4,525,057.91</u>

***Statement of Activities***  
***For the Year Ended September 30, 2015***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b><u>Governmental Activities</u></b>			
General Government	\$ 2,231,909.00	\$ 835,560.29	\$ 222,514.71
Public Safety	2,569,925.13	259,140.72	58,857.55
Highways and Roads	4,462,473.91	113,924.86	5,122,527.12
Sanitation	137,538.53	277,833.00	
Welfare	97,282.70		41,671.54
Culture and Recreation	107,026.29		
Education	6,750.00		
Interest and Fiscal Charges	529,444.83		
Intergovernmental	3,287.50		
Total Governmental Activities	<u>\$ 10,145,637.89</u>	<u>\$ 1,486,458.87</u>	<u>\$ 5,445,570.92</u>

**General Revenues:**

Taxes:

- Property Taxes for General Purposes
- Property Taxes for Specific Purposes
- County Sales and Use Tax
- Miscellaneous Taxes
- Gain on Sale of Capital Assets
- Interest Earned
- Miscellaneous
- Total General Revenues

Change in Net Position

Net Position - Beginning of Year, as Restated (Note 14)

Net Position - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 233,245.40	\$ (940,588.60)
	(2,251,926.86)
	773,978.07
	140,294.47
	(55,611.16)
	(107,026.29)
	(6,750.00)
	(529,444.83)
	(3,287.50)
<u>\$ 233,245.40</u>	<u>(2,980,362.70)</u>

1,382,429.61
579,822.89
1,393,820.36
199,893.21
15,154.49
1,362.19
770,778.21
<u>4,343,260.96</u>
1,362,898.26
<u>3,162,159.65</u>
<u>\$ 4,525,057.91</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2015***

	General Fund	Gasoline Tax Fund
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$	\$
Cash with Fiscal Agent		
Investments		
Ad Valorem Taxes Receivable, Net	1,224,414.61	
Receivables, Net (Note 4)	260,107.53	110,817.67
Interfund Receivables		100,864.13
Total Assets	1,484,522.14	211,681.80
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	262,938.17	552,991.70
Interfund Payables	1,522,464.13	15,000.00
Unearned Revenue		
Accrued Wages Payable	187,677.64	66,879.86
Total Liabilities	1,973,079.94	634,871.56
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	1,224,414.61	
<b><u>Fund Balances</u></b>		
Restricted for:		
Road Projects		
Capital Projects		
Debt Service		
Other Purposes		
Unassigned	(1,712,972.41)	(423,189.76)
Total Fund Balances	(1,712,972.41)	(423,189.76)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,484,522.14	\$ 211,681.80

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



<b>Capital Improvement Fund</b>	<b>Indigent Care Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 163,995.35	\$ 206,637.13	\$ 254,719.63	\$ 625,352.11
		249,895.91	249,895.91
46,230.54	326,055.76		372,286.30
		542,427.03	1,766,841.64
		83,319.79	454,244.99
1,476,600.00		15,000.00	1,592,464.13
<u>1,686,825.89</u>	<u>532,692.89</u>	<u>1,145,362.36</u>	<u>5,061,085.08</u>
7,000.00		14,231.13	837,161.00
		55,000.00	1,592,464.13
		104,537.24	104,537.24
		13,552.51	268,110.01
<u>7,000.00</u>		<u>187,320.88</u>	<u>2,802,272.38</u>
		542,427.03	1,766,841.64
		147,049.42	147,049.42
1,679,825.89			1,679,825.89
		190,752.06	190,752.06
	532,692.89	60,957.39	593,650.28
		16,855.58	(2,119,306.59)
<u>1,679,825.89</u>	<u>532,692.89</u>	<u>415,614.45</u>	<u>491,971.06</u>
<u>\$ 1,686,825.89</u>	<u>\$ 532,692.89</u>	<u>\$ 1,145,362.36</u>	<u>\$ 5,061,085.08</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position***  
***September 30, 2015***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 491,971.06

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

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

Capital Assets 16,324,667.12

Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position. 249,003.88

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

	Due or Payable Within One Year	Due or Payable After One Year	
Funding Agreement Payable	\$ 95,000.00	\$ 4,495,000.00	
Amortized Interest Payable	41,469.17		
Warrants Payable	190,000.00	5,585,000.00	
Pension Liability		1,768,977.00	
Estimated Liability for Compensated Unamortized Discount	49,199.88	442,798.95	
	(7,887.89)	(165,775.32)	
Total Liabilities	\$ 367,781.16	\$ 12,126,000.63	(12,493,781.79)

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

Deferred Inflows Related to Net Pension Liability	\$ (323,356.00)	
Deferred Outflows Related to Net Pension Liability	276,553.64	(46,802.36)

Total Net Position - Governmental Activities (Exhibit 1) \$ 4,525,057.91

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, 2015***

	General Fund	Gasoline Tax Fund
<b><u>Revenues</u></b>		
Taxes	\$ 2,693,682.95	\$
Licenses and Permits	210,847.07	
Intergovernmental	281,372.26	4,058,310.13
Charges for Services	620,556.61	227,106.24
Miscellaneous	120,126.31	658,777.90
Total Revenues	<u>3,926,585.20</u>	<u>4,944,194.27</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	1,825,410.44	
Public Safety	2,217,375.97	
Highways and Roads		3,115,968.81
Sanitation	134,008.98	
Welfare	13,500.00	
Culture and Recreation	72,352.17	
Education	6,750.00	
Capital Outlay	87,807.00	2,469,194.00
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Intergovernmental		
Total Expenditures	<u>4,357,204.56</u>	<u>5,585,162.81</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(430,619.36)</u>	<u>(640,968.54)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Sale of Capital Assets		92,797.50
Transfers In	57,915.91	485,544.06
Transfers Out	(88,600.00)	(169,596.74)
Total Other Financing Sources (Uses)	<u>(30,684.09)</u>	<u>408,744.82</u>
Net Change in Fund Balances	(461,303.45)	(232,223.72)
Fund Balances - Beginning of Year	<u>(1,251,668.96)</u>	<u>(190,966.04)</u>
Fund Balances - End of Year	<u>\$ (1,712,972.41)</u>	<u>\$ (423,189.76)</u>

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

Capital Improvement Fund	Indigent Care Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$ 854,367.21	\$ 3,548,050.16
			210,847.07
233,245.40		1,241,752.15	5,814,679.94
		292,085.33	1,139,748.18
153.94	730.47	267.69	780,056.31
233,399.34	730.47	2,388,472.38	11,493,381.66
52,957.33		530,489.73	2,408,857.50
31,655.00		196,027.76	2,445,058.73
		1,138,657.36	4,254,626.17
			134,008.98
		83,782.70	97,282.70
1,925.00			74,277.17
			6,750.00
			2,557,001.00
		275,000.00	275,000.00
		503,417.50	503,417.50
		3,287.50	3,287.50
86,537.33		2,730,662.55	12,759,567.25
146,862.01	730.47	(342,190.17)	(1,266,185.59)
			92,797.50
		1,009,920.47	1,553,380.44
(27,000.00)		(1,268,183.70)	(1,553,380.44)
(27,000.00)		(258,263.23)	92,797.50
119,862.01	730.47	(600,453.40)	(1,173,388.09)
1,559,963.88	531,962.42	1,016,067.85	1,665,359.15
\$ 1,679,825.89	\$ 532,692.89	\$ 415,614.45	\$ 491,971.06

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***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2015***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (1,173,388.09)

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 Outlay (\$2,557,001.00) exceeded depreciation (\$478,264.09). 2,078,736.91

Debt proceeds provide current financial resources in governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceeded proceeds.

Repayments:

Funding Agreement	\$ 90,000.00	
Warrants Payable	<u>185,000.00</u>	275,000.00

In the Statement of Activities, only the gains and losses on the sale of capital assets are reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the changes in net position differs from the changes in fund balance by the book value of the capital assets sold. (77,643.01)

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

Decrease in Unamortized Discount	\$ (7,887.89)	
Decrease in Pension Expense	142,169.64	
Decrease in Compensated Absences	144,050.14	
Decreased in Accrued Interest Payable	604.16	
Decrease in Deferred Loss on Refunding	<u>(18,743.60)</u>	
		<u>260,192.45</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,362,898.26

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

***Statement of Fiduciary Net Position***  
***September 30, 2015***

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash	\$ 359,706.72	\$ 164,008.29
Receivables	17.40	1,522,907.53
Total Assets	<u>359,724.12</u>	<u>1,686,915.82</u>
<b><u>Liabilities</u></b>		
Payables	<u>238,612.78</u>	1,686,915.82
Total Liabilities	<u>238,612.78</u>	<u>\$ 1,686,915.82</u>
<b><u>Net Position</u></b>		
Held in Trust for Other Purposes	<u>121,111.34</u>	
Total Net Position	<u>\$ 121,111.34</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, 2015***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Intergovernmental	\$ 600.00
Charges for Services	3,988.38
Miscellaneous	284.46
Total Additions	<u>4,872.84</u>
<b><u>Deductions</u></b>	
General Government	767.08
Total Deductions	<u>767.08</u>
Changes in Net Position	4,105.76
Net Position - Beginning of Year	<u>117,005.58</u>
Net Position - End of Year	<u><u>\$ 121,111.34</u></u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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

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

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

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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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 received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of 7-cent state gasoline tax revenue for the construction, improvement, maintenance and supervision of highways, bridges and streets, and for the retirement of debt for which gasoline tax revenues have been pledged.
- ◆ **Capital Improvement Fund** – This fund is used to account for the county's share of distribution from the Alabama Trust Fund. The funds are to be used for capital improvements in the County.
- ◆ **Indigent Care Fund** – This fund was created in conjunction with the formation of Victoryland. It receives funds to be used for indigent care based on the distribution set forth in Act Number 83-575, Acts of Alabama, establishing greyhound racing in Macon County.

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

#### **Governmental Fund Types**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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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.

#### **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. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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

**1. Deposits and Investments**

Cash includes cash on hand and in demand deposits.

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

**2. Receivables**

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

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

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

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

**3. Capital Assets**

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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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
Furniture and Equipment	\$ 5,000	5 – 10 years
Bridges	\$ 50,000	40 – 50 years
Roads	\$250,000	20 – 50 years

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.

**4. Deferred Outflows of Resources**

Deferred outflow of resources are reported in the government-wide financial statements. 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.

**5. 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 Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**6. Compensated Absences**

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

**Annual Leave**

Annual leave accrues to permanent full-time employees at the following rates:

0 to 5 years	4 hours
Over 5 to 10 years	5 hours
Over 10 to 15 years	6 hours
Over 15 to 20 years	7 hours
Over 20 to 25 years	8 hours
Over 25 years	9 hours

Accumulated annual leave at the end of each leave year that is in excess of thirty days or 240 hours will be forfeited by the employee.

Upon separation or retirement classified employees may be paid for accrued annual leave (maximum 30 days or 240 hours) calculated at the rate of pay they were entitled to at their retirement.

**Sick Leave**

Sick leave accrues to permanent full-time employees at rate of 4 hours per pay period to a maximum of 1200 hours. No individual will be paid for accumulated sick leave upon separation. Employees that retire from the county service shall be paid for one half of their accumulated unused sick leave not to exceed 600 hours.

**Compensatory Time**

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Generally employees in public safety activity, emergency response activity, or seasonal activity may accumulate 480 hours, all other employees 240 hours maximum. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory time is calculated at one and one-half times the regular hours.

The Commission uses the termination payment method to accrue its sick leave liability. Under this method an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness of other contingencies, such as medical appointments and funerals.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **7. Deferred Inflows of Resources**

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

#### **8. Pensions**

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

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

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

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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- ◆ ***Unrestricted*** – is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

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

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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

**A. Budgets**

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

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

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.

**B. Deficit Fund Balances/Net Position of Individual Funds**

At September 30, 2015, the following governmental funds had deficit fund balances:

General Fund	\$1,712,972.41
Gasoline Tax Fund	\$ 423,189.76
Supernumerary Fund	\$ 92.40

The Commission will endeavor to reduce expenditures in these funds in the coming years to resolve the deficit fund balances.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### Note 3 – Deposits and Investments

##### A. Deposits

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

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

##### B. Investments of the Fiscal Agent

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

As of September 30, 2015, the Commission had the following investments in cash with fiscal agent accounts:

Investments in Cash with Fiscal Agent	Fair Value	Credit Rating
<u>Money Market Funds:</u>		
Regions Trust Cash Sweep	\$ 59,143.85	
Fidelity Institutional Treasury Only CL III	190,752.06	AAAm
Total Investments in Cash With Fiscal Agent	<u>\$249,895.91</u>	

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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

**Credit Risk** – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. As of September 30, 2015, the Commission’s investments were rated AAAM by Standard & Poor’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 an investment policy that limits the amount of securities that can be held by counterparties. The Commission’s deposits with Fidelity Institutional Treasury Only CL III are held by the counterparty but not in the name of the Commission.

**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 the Commission may invest in any one issuer.

**Note 4 – Receivables**

On September 30, 2015, receivables for the Commission’s individual major funds and other governmental funds in the aggregate are as follows:

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total
<b>Receivables:</b>				
Accounts	\$146,750.33	\$	\$	\$146,750.33
Intergovernmental	113,357.20	110,817.67	83,319.79	307,494.66
<b>Total</b>	<b>\$260,107.53</b>	<b>\$110,817.67</b>	<b>\$83,319.79</b>	<b>\$454,244.99</b>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2015**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance 10/01/2014	Additions	Reductions	Balance 09/30/2015
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 796,825.04	\$	\$	\$ 796,825.04
Infrastructure in Progress		2,411,944.00		2,411,944.00
Total Capital Assets, Not Being Depreciated	796,825.04	2,411,944.00		3,208,769.04
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	10,515,987.42			10,515,987.42
Bridges	5,002,475.41			5,002,475.41
Construction Equipment	2,750,779.10	34,250.00	(95,314.35)	2,689,714.75
Office Equipment	1,541,773.88			1,541,773.88
Motor Vehicles	2,619,312.49	110,807.00	(29,969.70)	2,700,149.79
Other Equipment	55,854.68			55,854.68
Total Capital Assets Being Depreciated	22,486,182.98	145,057.00	(125,284.05)	22,505,955.93
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(4,228,604.39)	(199,161.52)		(4,427,765.91)
Bridges	(493,332.17)	(125,118.58)		(618,450.75)
Construction Equipment	(1,737,870.90)	(61,240.87)	37,251.57	(1,761,860.20)
Office Equipment	(888,258.10)	(49,036.06)		(937,294.16)
Motor Vehicles	(1,587,192.83)	(42,520.88)	10,389.47	(1,619,324.24)
Other Equipment	(24,176.41)	(1,186.18)		(25,362.59)
Total Accumulated Depreciation	(8,959,434.80)	(478,264.09)	47,641.04	(9,390,057.85)
Net of Depreciation	13,526,748.18	(333,207.09)	(77,643.01)	13,115,898.08
Governmental Activities Capital Assets, Net	\$14,323,573.22	\$2,078,736.91	\$ (77,643.01)	\$16,324,667.12

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$109,271.28
Public Safety	124,866.40
Highway and Roads	207,847.74
Sanitation	3,529.55
Culture and Recreation	32,749.12
Total Depreciation Expense – Governmental Activities	\$478,264.09

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### **Benefits Provided**

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

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active Members	55,883
Total	<u>83,874</u>

**Contributions**

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute. Certified law enforcement, correctional officers, and fire fighters of the ERS contributed 6% of earnable compensation as required by statute. 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, 2015, the Commission's active employee contribution rate was 5.14% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 8.53% of covered employee payroll.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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The Commission's contractually required contribution rate for the year ended September 30, 2015, was 8.64% of pensionable pay for Tier 1 employees, and 6.34% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, 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 \$276,553.64 for the year ended September 30, 2015.

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

The Commission's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013, rolled forward to September 30, 2014, using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2013 (a)	\$12,461,651
Entry Age Normal Cost for October 1, 2013 – September 30, 2014 (b)	275,489
Actual Benefit Payments and Refunds for October 1, 2013 – September 30, 2014 (c)	(743,233)
Total Pension Liability as of September 30, 2014 = [(a) x (1.08)] + (b) – [(c) x (1.04)]	<u>\$12,961,110</u>

#### **Actuarial Assumptions**

The total pension liability in the September 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment Rate of Return (*)	8.00%
(*) Net of pension plan investment expense	

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013, valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stock	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	
(*) Includes assumed rate of inflation of 2.50%		

#### **Discount Rate**

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2015**

**C. Changes in Net Pension Liability**

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2013	\$12,461,651	\$10,237,590	\$ 2,224,061
Changes for the Year:			
Service Cost	275,489		275,489
Interest	967,203		967,203
Contributions – Employer		266,112	(266,112)
Contributions – Employee		187,490	(187,490)
Net Investment Income		1,212,869	(1,212,869)
Benefit Payments, including Refunds of Employee Contributions	(743,233)	(743,233)	
Transfers Among Employers		31,305	(31,305)
Net Changes	499,459	954,543	(455,084)
Balances at September 30, 2014	\$12,961,110	\$11,192,133	\$ 1,768,977

**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 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Commission’s Net Pension Liability	\$2,995,567	\$1,768,977	\$719,948

**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, 2014. The supporting actuarial information is included in the GASB Statement Number. 68 Report for the ERS prepared as of September 30, 2014. The auditor’s report dated June 3, 2015, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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The ERS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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

For the year ended September 30, 2015, the Commission recognized pension expense of \$134,384.00. At September 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$	\$323,356.00
Employer contributions subsequent to the measurement date	276,553.00	
Total	\$276,553.00	\$323,356.00

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

Year Ending:	
September 30, 2016	\$80,839
2017	\$80,839
2018	\$80,839
2019	\$80,839
2020	\$
Thereafter	\$

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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**Note 7 – Funding Agreement With Macon County Public Building Authority**

On May 1, 2009, the Macon County Commission entered into a funding agreement (in the form of a sale-lease back with the Macon County Public Building Authority. Pursuant to the agreement the Macon County Commission sold project improvements consisting of new administrative office facilities and the Macon County Jail Facility to the Macon County Public Building Authority for \$4,935,000.00. To obtain the sum of \$4,935,000.00 the Macon County Public Building Authority issued \$4,935,000.00 in Series 2009 Macon County Public Building Authority Revenue Warrants in order to provide funds (1) to finance the costs of constructing administrative office facilities for the Macon Count Commission and (2) to currently refund and retire the Series 1999 Macon County Public Building Authority Revenue Warrants, dated May 1, 1999, which were outstanding in the amount of \$3,030,000.00. The series 1999 Macon County Public Authority revenue warrants were issued to finance the costs of acquiring, constructing and equipping the Macon County Jail Facility. The Macon County Commission agreed to pay all Principal and interest on the Series 2009 Macon County Public Authority Warrants and when the series 2009 Revenue Warrants have been fully paid, the Macon County Building Authority will convey the assets in their then condition to the County without payment of any further consideration to the Macon County Public Authority by the Macon County Commission.

In substance, this agreement was considered a funding agreement rather than a sale-lease back because the Commission has continued involvement in the property without transfer of risk and rewards.

The following is a schedule by years of future minimum payments under the agreement presented together with the net present value of the minimum payments as of September 30, 2015.

Fiscal Year Ending	Governmental Activities
September 30, 2016	\$ 335,538.75
2017	336,882.50
2018	332,882.50
2019	333,526.25
2020	343,745.00
2021-2025	1,719,481.25
2026-2030	1,745,535.00
2031-2035	1,750,155.00
2036-2039	1,404,068.75
Total Minimum Payments	8,301,815.00
Less: Amount Representing Interest	(3,711,815.00)
Present Value of Net Minimum Lease Payments	<u>\$ 4,590,000.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2015*

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#### Note 8 – Long-Term Debt

The Commission entered into a funding agreement dated May 1, 2009 with the Macon County Public Building Authority to acquire administrative office facilities and the jail facility with payment to the Macon County Public Building Authority on such dates and amounts as will be sufficient to pay the principal and interest on the Series 2009 Warrants when due during the term of the agreement.

On September 16, 2009, the Commission issued their \$3,970,000.00 General Obligation Warrants, Series 2009 (the “Warrants”), dated August 1, 2009. The Warrants will pay a fixed interest rate ranging from 3.3% to 6.15% on February 1 and August 1 each year until final maturity on October 1, 2039. The proceeds of the Warrants are authorized to be expended to (1) construct various improvements to the County’s infrastructure, (2) advance refund the County’s General Obligation Warrants, Series 2007, and (3) to pay the cost and expenses incurred in connection with the issuance of the Series 2009 Warrants.

On August 29, 2012, the Commission issued their \$2,375,000.00 State Highway Gasoline Tax Anticipation Warrants dated August 1, 2012. The warrants pay a fixed interest rate ranging from 1.14% to 3.43% on February 1 and August 1 of each year until final maturity on August 1, 2032. The Warrants were issued for the purpose of (1) paying the cost of construction, surfacing, resurfacing, grading and draining of roads, streets and bridges in the County; and (2) paying the cost of issuing the warrants. These warrants are not general obligations of the County but are paid solely out of the proceeds of the State 7-cent Gasoline Tax.

Payments on the 2009 General Obligation Warrants are made from the Public Buildings, Roads and Bridges Fund as well as Occupational Taxes.

Payments on the 2009 Funding Agreement are made from the Public Buildings, Roads and Bridges Fund as well as Occupational Taxes.

Payments on the 2012 Gasoline Tax Warrants are made with proceeds from the State 7-cent Gasoline Tax.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission’s governmental funds.

The net pension liability attributable to the governmental activities will be liquidated by the annual employer contribution rate on covered payroll as determined by actuarial assumptions provided by the Employee’s Retirement System of Alabama.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2015:

	Debt Outstanding 10/01/2014, as Restated (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
<b>Governmental Activities</b>					
<b>Warrants Payable:</b>					
Series 2012 Gasoline Tax	\$ 2,375,000.00	\$	\$(110,000.00)	\$ 2,265,000.00	\$110,000.00
Series 2009 G.O. Warrants	3,585,000.00		(75,000.00)	3,510,000.00	80,000.00
<b>Deferred Amounts:</b>					
Unamortized Discount	(181,551.10)		7,887.89	(173,663.21)	(7,887.89)
Total Warrants Payable	<u>5,778,448.90</u>		<u>(177,112.11)</u>	<u>5,601,336.79</u>	<u>182,112.11</u>
<b>Other Liabilities:</b>					
Funding Agreement	4,680,000.00		(90,000.00)	4,590,000.00	95,000.00
Compensated Absences	636,048.97		(144,050.14)	491,998.83	49,199.88
Net Pension Liability	2,224,061.00		(455,084.00)	1,768,977.00	
Total Other Liabilities	<u>7,540,109.97</u>		<u>(689,134.14)</u>	<u>6,850,975.83</u>	<u>144,199.88</u>
Total Long-Term Liabilities	<u>\$13,318,558.87</u>	<u>\$</u>	<u>\$(866,246.25)</u>	<u>\$12,452,312.62</u>	<u>\$326,311.99</u>
(*) See Note 14					

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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

Fiscal Year Ending	Series 2012 Gasoline Tax Warrants		Series 2009 General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2016	\$ 110,000.00	\$ 58,680.00	\$ 80,000.00	\$ 196,630.00
2017	115,000.00	57,580.00	80,000.00	193,190.00
2018	115,000.00	55,855.00	85,000.00	189,750.00
2019	115,000.00	54,130.00	90,000.00	186,095.00
2020	120,000.00	51,715.00	90,000.00	182,225.00
2021-2025	635,000.00	215,195.00	525,000.00	838,625.00
2026-2030	730,000.00	121,620.00	695,000.00	682,175.00
2031-2035	325,000.00	16,170.00	915,000.00	456,000.00
2036-2039			950,000.00	147,000.00
Totals	\$2,265,000.00	\$630,945.00	\$3,510,000.00	\$3,071,690.00

**Deferred Inflows/Outflows on Refunding and Discounts**

The Commission has a loss on refunding as well as discounts in connection the issuance of its 2009 Funding Agreement and General Obligation Warrants, Series 2009. The discounts are being amortized over a period of 30 years. The loss on refunding on the 2009 Funding Agreement and the 2009 General Obligation Warrants are being amortized over a period of 14 and 19 years respectively. The discount associated with the 2012 gasoline tax warrants is being amortized over a period of 20 years.

	Deferred Outflows on Refunding	Discount
Total Issuance Costs, Deferred Charges on Refunding and Discount	\$ 382,747.54	\$218,633.35
Amount Amortized Prior Years	(115,000.06)	(37,082.25)
Balance Issuance Costs, Deferred Charges on Refunding and Discount	267,747.48	181,551.10
Current Amount Amortized	(18,743.60)	(7,887.89)
Balance Issuance Costs, Deferred Charges on Refunding and Discount	\$ 249,003.88	\$173,663.21



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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Funding Agreement 2009		Total Principal and Interest Requirements to Maturity
Principal	Interest	
\$ 95,000.00	\$ 240,538.75	\$ 780,848.75
100,000.00	236,882.50	782,652.50
100,000.00	232,882.50	778,487.50
105,000.00	228,526.25	778,751.25
120,000.00	223,745.00	787,685.00
690,000.00	1,029,481.25	3,933,301.25
915,000.00	830,535.00	3,974,330.00
1,210,000.00	540,155.00	3,462,325.00
1,255,000.00	149,068.75	2,501,068.75
<b>\$4,590,000.00</b>	<b>\$3,711,815.00</b>	<b>\$17,779,450.00</b>

**Pledged Revenues**

The Commission has pledged the proceeds of Court Fees (the “Fees”) authorized to be collected in the County by Amendment Number 530 of the Constitution of Alabama 1901. Amendment Number 530 provides that the Fees may be applied only to the costs of constructing and equipping the County Jail, or to payment of principal and interest on any bonds, warrants or other obligations issued by or on behalf of the County to finance the costs of constructing and equipping the County Jail. The Commission has also pledged the proceeds of the County Occupational Tax authorized by Act Number 97-522, Acts of Alabama, (the “Occupational Tax Act”) and approved by a majority of the qualified electors of Macon County. The Occupational Tax Act provides that fifty percent of the net proceeds thereof shall be distributed to the Macon County Healthcare authority, that twenty five percent of the said net proceeds shall be used to retire the indebtedness incurred in connection with the construction and equipping of the County Jail, and that twenty five percent of the net proceeds shall be distributed to the General Fund of the County. The Commission has also pledged the proceeds from the Special County Tax (2.5 mills ad valorem tax) levied and collected under the authority of Section 215 of the Constitution of Alabama 1901, as amended. On May 1, 2009, the Commission entered into a funding agreement with the Macon County Public Authority to acquire administrative office facilities and the jail facility. The remaining amount of the pledges as of September 30, 2015, is \$8,301,815.00 and will remain in effect until the final maturity of the agreement on March 1, 2039. For fiscal year 2015, the debt service requirements for the pledged revenues was \$333,782.50.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Note 9 – Conduit Debt Obligations**

On November 1, 2006, the Board entered into a funding agreement (in the form of a sale-lease back) with the Commission. Pursuant to this agreement the Board sold project improvements consisting of (i) a garage building or facility for the maintenance, repair and parking of school buses of the Board, (ii) an early childhood or kindergarten center for use by preschool children and (iii) renovations and improvements to D. C. Wolfe School and Notasulga High School in the County as well as project improvements to the Booker T. Washington High School, which is a consolidated high school building located in the City of Tuskegee, Alabama, to the Commission for \$19,640,000. To obtain the sum of \$19,640,000 the Commission issued \$19,640,000 in Series 2006 Limited Obligation School Warrants with interest rates ranging from 3.4 percent to 4.375 percent in order to provide funds to (i) refund and retire, in advance of their respective maturities, the Macon County \$15,650,000 Series 1999 Limited Obligation School Warrants, dated January 1, 1999, which were outstanding in the aggregate amount of \$12,995,000 with interest rates ranging from 4.9 percent to 5.1 percent, (ii) pay the improvement costs of a garage building or facility for the maintenance, repair and parking of school buses, improvements costs to an early childhood or kindergarten center for use by preschool children and renovations and improvements to D. C. Wolfe School and Notasulga High School, and (iii) pay certain costs of issuance of the Series 2006 Warrants. The net proceeds of \$13,509,420 (after payment of \$741,271 in issuance costs, \$389,308 in original issue discount, and \$5,000,000 in cash to the Board) were used to purchase government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1999 Limited Obligation School Warrants. The Board agreed to pay all principal and interest on the Series 2006 Warrants and when the Series 2006 Warrants have been fully paid, the County will convey the assets, in their then condition, to the Board without payment of any further consideration to the County by the Board. The general faith and credit of the Commission are not pledged to payment of the principal and interest and the warrants shall not be general obligations of the County, and accordingly have not been reported in the accompanying financial statements. The amount outstanding at September 30, 2015, was \$15,150,000.00.

**Note 10 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through 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 \$500,000 per claim for a maximum total coverage of \$2,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$100,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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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 and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 11 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables/payables at September 30, 2015, were as follows:

	Interfund Receivables			Totals
	Gasoline Tax Fund	Capital Improvement Fund	Other Governmental Funds	
<b><u>Interfund Payables:</u></b>				
General Fund	\$ 45,864.13	\$1,476,600.00	\$	\$1,522,464.13
Gasoline Tax Fund			15,000.00	15,000.00
Other Governmental Funds	55,000.00			55,000.00
Totals	<u>\$100,864.13</u>	<u>\$1,476,600.00</u>	<u>\$15,000.00</u>	<u>\$1,592,464.13</u>

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

**Interfund Transfers**

The amounts of operating transfers during the fiscal year ending September 30, 2015, were as follows:

	Transfers Out				Totals
	General Fund	Gasoline Tax Fund	Capital Improvement Fund	Other Governmental Funds	
<b>Transfers In:</b>					
General Fund	\$	\$	\$	\$ 57,915.91	\$ 57,915.91
Gasoline Tax Fund	50,000.00			435,544.06	485,544.06
Other Governmental Funds	38,600.00	169,596.74	27,000.00	774,723.73	1,009,920.47
<b>Totals</b>	<b>\$88,600.00</b>	<b>\$169,596.74</b>	<b>\$27,000.00</b>	<b>\$1,268,183.70</b>	<b>\$1,553,380.44</b>

**Note 12 – Related Organizations**

A majority of the members of the Boards of the organizations listed below are appointed by the Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship for the organizations, and the organizations are not considered to be part of the Commission’s financial reporting entity. The organizations presented below are considered to be related organizations of the Commission.

- ◆ Macon County Healthcare Authority
- ◆ Macon County – Tuskegee Public Library
- ◆ Star Mindingall Water and Fire Protection Authority
- ◆ Macon County Water and Fire Protection Authority
- ◆ Macon County E911 Board
- ◆ Macon County Economic Development Authority

**Note 13 – Deficit Cash Balance**

At September 30, 2015, the following governmental funds had deficit cash balances:

General Fund	\$195,957.68
Gasoline Tax Fund	\$514,822.34

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2015***

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**Note 14 – Restatements**

In fiscal year 2015, the Macon County Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions***. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Macon County Commission's financial statements. For fiscal year 2015, the Macon County Commission made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position in Governmental Activities. The result is a decrease in net position at October 1, 2014, of \$1,957,949.00.

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

Governmental Activities Net Position, September 30, 2014, as Previously Reported	\$ 5,120,108.65
<u>Restatements Due to GASB 68:</u>	
Deferred Outflows of Resources	266,112.00
Net Pension Liability	<u>(2,224,061.00)</u>
Governmental Activities Net Position, September 30, 2014, as Restated	<u>\$ 3,162,159.65</u>

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*Required Supplementary Information*

***Schedule of Changes in the Net Pension Liability  
For the Year Ended September 30, 2015***

	<b>2015</b>
<b><u>Total pension liability</u></b>	
Service cost	\$ 275,489.00
Interest	967,203.00
Benefit payments, including refunds of employee contributions	<u>(743,233.00)</u>
Net change in total pension liability	499,546.00
Total pension liability - beginning	<u>12,461,651.00</u>
Total pension liability - ending (a)	<u><u>\$ 12,961,110.00</u></u>
<b><u>Plan fiduciary net position</u></b>	
Contributions - employer	\$ 266,112.00
Contributions - employee	187,490.00
Net investment income	1,212,869.00
Benefit payments, including refunds of employee contributions	(743,233.00)
Other (Transfers among employers)	<u>31,305.00</u>
Net change in plan fiduciary net position	954,443.00
Plan fiduciary net positions - beginning	<u>10,237,590.00</u>
Plan fiduciary net positions - ending (b)	<u><u>\$ 11,192,133.00</u></u>
Commission's net pension liability - ending (a) - (b)	\$ 1,768,977.00
Plan fiduciary net position as a percentage of the total pension liability	86.35%
Covered-employee payroll (*)	\$ 3,295,402.33
Commission's net pension liability as a percentage of covered-employee payroll	53.68%

(\*) Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is October 1, 2013 through September 30, 2014.

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, 2015***

	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 276,553.64	\$ 276,292.99
Contributions in relation to the actuarially determined contribution	<u>\$ 276,553.64</u>	<u>\$ 276,292.99</u>
Contribution deficiency (excess)	\$	\$
Covered-employee payroll	\$ 3,242,600.68	\$ 3,295,402.33
Contributions as a percentage of covered-employee payroll	8.53%	8.38%

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8%, 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, 2015***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,177,419.00	\$ 3,177,419.00	\$ 2,693,682.95
Licenses and Permits	276,000.00	276,000.00	210,847.07
Intergovernmental	391,300.00	391,300.00	281,372.26
Charges for Services	683,350.00	683,350.00	620,556.61
Miscellaneous	98,715.00	98,715.00	105,798.60
Total Revenues	4,626,784.00	4,626,784.00	3,912,257.49
<b><u>Expenditures</u></b>			
Current:			
General Government	1,962,917.00	1,962,917.00	1,825,410.44
Public Safety	2,156,501.00	2,156,501.00	2,217,375.97
Sanitation	229,032.00	229,032.00	134,008.98
Health	6,000.00	6,000.00	
Welfare	18,000.00	18,000.00	13,500.00
Culture and Recreation	600.00	600.00	747.15
Education	6,750.00	6,750.00	6,750.00
Capital Outlay	8,000.00	8,000.00	87,807.00
Debt Service:			
Principal Retirement	113,400.00	113,400.00	
Total Expenditures	4,501,200.00	4,501,200.00	4,285,599.54
Excess (Deficiency) of Revenues Over Expenditures	125,584.00	125,584.00	(373,342.05)
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In			57,915.91
Transfers Out	(125,584.00)	(125,584.00)	(146,700.00)
Total Other Financing Sources (Uses)	(125,584.00)	(125,584.00)	(88,784.09)
Net Change in Fund Balances			(462,126.14)
Fund Balances - Beginning of Year			(1,244,821.91)
Fund Balances - End of Year	\$	\$	\$ (1,706,948.05)

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$ 2,693,682.95
		210,847.07
		281,372.26
		620,556.61
(1)	14,327.71	120,126.31
	<u>14,327.71</u>	<u>3,926,585.20</u>
		1,825,410.44
		2,217,375.97
		134,008.98
(2)	71,605.02	13,500.00
		72,352.17
		6,750.00
		87,807.00
	<u>71,605.02</u>	<u>4,357,204.56</u>
	<u>(57,277.31)</u>	<u>(430,619.36)</u>
(3)	58,100.00	57,915.91
	<u>58,100.00</u>	<u>(88,600.00)</u>
	<u>58,100.00</u>	<u>(30,684.09)</u>
	822.69	(461,303.45)
(4)	<u>(6,847.05)</u>	<u>(1,251,668.96)</u>
	<u>\$ (6,024.36)</u>	<u>\$ (1,712,972.41)</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2015***

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**Explanation of Budget to GAAP differences:**

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

(1) Revenues Recreation Fund	<u>\$ 14,327.71</u>
(2) Expenditures Recreation Fund	<u>71,605.02</u>
(3) Other Financing Sources/(Uses) Net Recreation Fund	<u>\$ 58,100.00</u>

Net Increase/(Decrease) in Fund Balance - Budget to GAAP

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

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\$ 14,327.71

71,605.02

58,100.00

\$ 822.69

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 165,000.00	\$ 165,000.00	\$
Intergovernmental	893,160.00	893,160.00	3,884,351.07
Charges for Services	129,000.00	129,000.00	113,181.38
Miscellaneous	759,000.00	759,000.00	200,712.64
Total Revenues	<u>1,946,160.00</u>	<u>1,946,160.00</u>	<u>4,198,245.09</u>
<b>Expenditures</b>			
Current:			
General Government			
Highways and Roads	2,083,112.00	2,080,912.00	1,987,980.03
Capital Outlay	75,000.00	75,000.00	2,469,194.00
Debt Service:			
Principal Retirement	75,000.00	75,000.00	
Total Expenditures	<u>2,233,112.00</u>	<u>2,230,912.00</u>	<u>4,457,174.03</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(286,952.00)</u>	<u>(284,752.00)</u>	<u>(258,928.94)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets			92,797.50
Transfers In	286,952.00	286,952.00	485,544.06
Transfers Out			(169,596.74)
Total Other Financing Sources (Uses)	<u>286,952.00</u>	<u>286,952.00</u>	<u>408,744.82</u>
Net Change in Fund Balances		2,200.00	149,815.88
Fund Balances - Beginning of Year			<u>(656,457.47)</u>
Fund Balances - End of Year	\$	\$ 2,200.00	\$ <u>(506,641.59)</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$
(1)	173,959.06	4,058,310.13
(1)	113,924.86	227,106.24
(1)	458,065.26	658,777.90
	<u>745,949.18</u>	<u>4,944,194.27</u>
(2)	1,127,988.78	3,115,968.81
		2,469,194.00
	<u>1,127,988.78</u>	<u>5,585,162.81</u>
	<u>(382,039.60)</u>	<u>(640,968.54)</u>
		92,797.50
		485,544.06
		<u>(169,596.74)</u>
		<u>408,744.82</u>
	(382,039.60)	(232,223.72)
(3)	465,491.43	(190,966.04)
	<u>\$ 83,451.83</u>	<u>\$ (423,189.76)</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2015***

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**Explanation of Budget to GAAP differences:**

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

(1) Revenues		
Public Highway and Traffic Fund	\$	627,399.68
Severed Mineral Tax Fund		118,549.50
		<hr/>
(2) Expenditures		
Public Highway and Traffic Fund		1,013,222.15
Severed Mineral Tax Fund	\$	114,766.63
		<hr/>

Net Increase/(Decrease) in Fund Balance - Budget to GAAP

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



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\$ 745,949.18

1,127,988.78

\$ (382,039.60)

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Capital Improvement Fund  
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Intergovernmental	\$ 190,000.00	\$ 190,000.00	\$ 233,245.40
Miscellaneous	1,040.00	1,040.00	153.94
Total Revenues	191,040.00	191,040.00	233,399.34
<b>Expenditures</b>			
Current:			
General Government	175,040.00	175,040.00	52,957.33
Public Safety	16,000.00	16,000.00	31,655.00
Culture and Recreation			1,925.00
Total Expenditures	191,040.00	191,040.00	86,537.33
Excess (Deficiency) of Revenues Over Expenditures			146,862.01
<b>Other Financing Sources (Uses)</b>			
Transfers Out			(27,000.00)
Total Other Financing Sources (Uses)			(27,000.00)
Net Change in Fund Balances			119,862.01
Fund Balances - Beginning of Year			1,559,963.88
Fund Balances - End of Year	\$	\$	\$ 1,679,825.89

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 233,245.40
	153.94
	<u>233,399.34</u>
	52,957.33
	31,655.00
	1,925.00
	<u>86,537.33</u>
	<u>146,862.01</u>
	(27,000.00)
	<u>(27,000.00)</u>
	119,862.01
	<u>1,559,963.88</u>
<u>\$</u>	<u>\$ 1,679,825.89</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Indigent Care Fund  
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Intergovernmental	\$ 1,632.00	\$ 1,632.00	\$
Miscellaneous	3,126.16	3,126.16	730.47
Total Revenues	4,758.16	4,758.16	730.47
Excess (Deficiency) of Revenues Over Expenditures	4,758.16	4,758.16	730.47
Net Change in Fund Balances	4,758.16	4,758.16	730.47
Fund Balances - Beginning of Year			531,962.42
Fund Balances - End of Year	\$ 4,758.16	\$ 4,758.16	\$ 532,692.89



<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
\$	\$
	730.47
	<u>730.47</u>
	730.47
	<u>730.47</u>
	531,962.42
\$	\$ <u>532,692.89</u>

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2014 through September 30, 2015***

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<b>Commission Members</b>		<b>Term Expires</b>
Hon. Louis Maxwell	Chairman	November 2016
Hon. Miles D. Robinson	Member	November 2016
Hon. Edward Huffman	Member	November 2016
Hon. Andrew D. Thompson, Jr.	Member	November 2016
Hon. Robert M. Berry	Member	November 2016
<b><u>Administrative Personnel</u></b>		
Susan Thomas	County Administrator	Indefinite



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

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**Independent Auditor's Report**

Members of the Macon County Commission and the County Administrator  
Tuskegee, Alabama

We were engaged to 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Commission (the "Commission") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Macon County Commission's basic financial statements and have issued a disclaimer of opinion report thereon dated March 19, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did identify certain deficiencies that we consider to be material weaknesses.

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

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**Finding 2015-001**

Adequate internal controls over financial reporting require all financial transactions of the Commission to be included on its financial statements. Testing revealed the following:

- ✓ The Reappraisal Fund paid a portion of the General Fund's obligation for the payroll dated September 18, 2015. This interfund transaction between the General Fund and the Reappraisal Fund in the amount of \$69,310.00 was not included in the Commission's financial statements for the year ending September 30, 2015. This resulted in interfund payables being understated and ending fund balance being overstated in the General Fund and interfund receivables being understated and ending fund balance being understated in the Reappraisal Fund by this amount.
  
- ✓ The Commission failed to record the Motor Vehicle Ad Valorem Deferral that defers portions of the revenues received during the current fiscal year to the subsequent fiscal year. This resulted in revenues and ending fund balance of the General Fund being overstated by \$85,426.77. Deferred inflows of resources were also understated by this amount.

**Recommendation**

The Commission should ensure that all amounts presented on the financial statements are complete and accurate.

**Finding 2015-002**

An adequate system of internal controls requires the proper segregation of duties. The County Administrator performs all bank reconciliations and records financial transactions into the accounting system. Receivables and Interfund Receivables and Payables are recorded at the discretion of the County Administrator. All of these actions are performed without the review of any other Commission employee.

**Recommendation**

The Commission should establish internal controls to mitigate the lack of segregation of duties.

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. We did identify a certain deficiency that we consider to be a significant deficiency.

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

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**Finding 2014-002**

Adequate internal controls require the Commission to reconcile remittances to the Retirement Systems of Alabama with retirement expenses computed by the Commission's payroll program. For the fiscal year ended September 30, 2015, the Commission expensed more employer retirement than was remitted to the Retirement Systems of Alabama.

**Recommendation**

The Commission should reconcile retirement remittances to the Retirement Systems of Alabama with the Commission's payroll program and correct any differences in a timely manner.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Macon 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***. However, we noted certain matters that we have reported to the management of the Macon County Commission in the Schedule of State and Local Compliance and Other Findings.

**Macon County Commission's Response to Findings**

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

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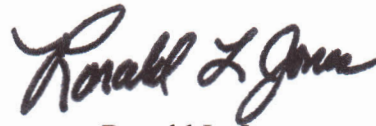
***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**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 Macon County Commission'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 Macon County Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 19, 2018

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# *Auditee Response*



THE STATE OF ALABAMA  
**Macon County Commission**

Macon County Courthouse  
Tuskegee, Alabama 36083  
(334) 727-5120 • Fax: (334) 724-2608



**Governing Body of Macon County**

Louis Maxwell  
Chairman

Commissioner Miles D. Robinson  
District 1

Commissioner Edward Huffman  
District 2

Commissioner Andrew D. Thompson, Jr.  
District 3

Commissioner Robert M. Berry  
District 4

March 26, 2018

Mr. James E. Hall  
Director County Audit Division  
State of Alabama  
Department of Examiners of Public Accounts  
P. O. Box 302251  
Montgomery, Alabama 36130-2251

Dear Mr. Hall:

As required by the Office of Management and Budget (OMB) Circular No. A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .31(c), the Macon County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September, 2015.

**Finding #2015-001:**

Adequate internal controls over financial reporting require all financial transactions of the Commission to be included on its financial statements. Testing revealed the following:

The Reappraisal Fund paid a portion of the General Fund's obligation for the payroll dated September 18, 2015. This interfund transaction between the General Fund and the Reappraisal Fund in the amount of \$69,310.00 was not included in the Commission's financial statements for the year ending September 30, 2015. This resulted in interfund payables being understated and ending fund balance being understated in the Reappraisal Fund by this amount.

The Commission failed to record the Motor Vehicle Ad Valorem Deferral that defers portions of the revenues received during the current fiscal year to the subsequent fiscal year. This resulted in revenues and ending fund balance of the General Fund being overstated by \$85,426.77. Deferred inflows of resources were also understated by this amount.

Response: Corrective Action:

The loan between the General Fund and the Reappraisal Fund of \$69,310.00 was not recorded, because it was a temporary loan and would be paid back soon and we were in an emergency situation to meet the payroll.

The Commission hired someone to do our financial statements for fiscal year 2014. He got the Motor Vehicle Ad Valorem Deferral information that he needed from the Revenue Commission Department. If it wasn't in there, then it must have been an oversight and we could have gotten the information from our consultant with no problem.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator

Contact: Louis Maxwell, Commission Chairman

**Finding #2015-002:**

An adequate system of internal controls requires the proper segregation of duties. The County Administrator performs all bank reconciliations and records financial transactions into the accounting system. Receivable and Interfund Receivables and Payables are recorded at the discretion of the County Administrator. All of the actions are performed without the review of any other Commission employee.

Response: Corrective Action:

I have (3) three other employees in the Commission Office that I supervise. We have the Accounts Payable Clerk, the Accounting Clerk and the Personnel Director/Treasurer. The Accounts Payable Clerk posts all invoices, prepares all purchase orders for my signature and posts and keeps up with all inventory, bonds and vehicle titles. The Personnel Director/Treasurer receipts all monies that come the Commission Office and prepares the payroll. The Accounting Clerk posts all Cash Receipts and Manual Checks to the Computer. After each one has done what they need to input for the month that we are working on, I check and have them to make corrections. Afterwards, I proceed with preparing the bank statements and any other Journal entries that need to be done. There is not anyone in this office to review my work. At this time, we can't afford to hire anyone else in this office for that responsibility, but it is anticipated that the Commission will be able to in the future.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator

Contact: Louis Maxwell, Commission Chairman

**Finding #2014-001:**

Generally Accepted Accounting Principles provide for the use of Agency Funds which are maintained by the County Commission to report assets held by the Commission in a purely custodial capacity. Amounts held in these funds are payable to other parties. During the audit period, the Commission did not maintain a listing of the payables to support the amount recorded in its Agency Funds.

Response: Corrective Action:

There was a list of payables on the Excel Spread Sheet but was not recorded on our books. The Commission will maintain a listing of payables recorded in its Agency Funds.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator

Contact: Louis Maxwell, Commission Chairman

**Finding #2014-002:**

Adequate internal controls require the Commission to reconcile remittances to the Retirement Systems of Alabama with retirement expenses computed by the Commission's payroll program. For the fiscal year ended September 30, 2015, the Commission expensed more employer retirement than was remitted to the Retirement Systems of Alabama.

Response: Corrective Action:

The Commission did reconcile the remittances to the Retirement System of Alabama with the payroll deduction register. The difference was the additional amounts that we added to the employer contribution for each Retiree each month. We were trying to build up a balance in the Retirement Fund in order to cover the one-time lump sum that our Retirees were granted by the Macon County Commission, in order to pay the Retirement System later. The additional amounts for the Retirees has been discontinued.

Responsible Person(s):

Corrective Action: Gertrude Benjamin, Personnel Director/Treasurer  
& Susan B. Thomas, County Administrator

Contact: Louis Maxwell, Commission Chairman



**Finding #2013-004:**

Chapter 2 of Title 11 of the **Code of Alabama 1975**, requires County Commissioners to obtain a bond in the amount of one-half of one percent of the amount budgeted in the County General Fund effective prior to the current term of office. It also requires the bond to be filed in the office of the Probate Judge no later than the date that the Commissioner takes office. Bonds were filed for the Commissioners as required in the office of the Probate Judge; however, the amounts of the bonds recorded were less than the required amount and some bonds were filed after the Commissioner took office.

Response: Corrective Action:

The Commissioners bonds have been increased to the required amount after our Exit Conference with the Auditors on February 2, 2017.

Responsible Person(s):

Corrective Action: Annie Watts, Accounts Payable Clerk  
& Susan B. Thomas, County Administrator

Contact: Louis Maxwell, Commission Chairman

**Finding #2013-008:**

The **Code of Alabama 1975**, Section 11-29-6, the legal authority for the Capital Improvement Fund, states these funds are to be used to assist in the restoration and improvement of county government buildings, bridges, roads, streets, and other facilities, and to promote the health, safety, and public welfare of the citizens of the state. The Commission made loans from the Capital Improvement Fund to the General Fund during fiscal year 2015. The Commission was unable to provide documentation that expenditures made by the General Fund were in accordance with the **Code of Alabama 1975**, Section 11-29-6. At September 30, 2015, the General Fund owed the Capital Improvement Fund \$1,476,600.00.

Response: Corrective Action:

Due to the closing of Victory Land, the Macon County Commission has been financially strapped. We no longer receive revenues from Victory Land for Charity Day for the Recreation and RSVP Funds. Also, all other revenues, such as: property taxes, Occupational Taxes Sales Taxes and Lodging Taxes have been drastically reduced since their closing. Therefore, the General Fund was forced to fund the Recreation and RSVP Funds and made loans from the Capital Improvement Fund. These funds will be paid back in increments, until its paid off as our revenues increase.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator &  
Louis Maxwell, Commission Chairman

Contact: Louis Maxwell, Commission Chairman

**Finding #2008-003:**

The **Code of Alabama 1975**, Section 11-8-3, requires the Commission to budget appropriations that are not in excess of estimated total revenues available for appropriations. The Commission's budgets for fiscal year 2015 did not take existing deficit fund balances into account.

The Commission did not intentionally budget appropriations in excess of the estimated total revenues available for appropriations. The Commission still did not have enough new or existing revenues to budget the deficit fund balance for the General Fund, Gasoline Fund, and Supernumerary Fund.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator  
& Louis Maxwell, Commission Chairman

Contact: Louis Maxwell, Commission Chairman

**Finding #2007-001:**

The **Code of Alabama 1975**, Section 11-8-10, states that the Commission shall not issue warrants until funds are available. The following funds had deficit fund balances at September 30, 2015: General Fund, Gasoline Tax Fund, Supernumerary Fund and CDBG Fund.

<b><u>Fund</u></b>	<b><u>Deficit Fund Balance</u></b>
<u>General Fund</u>	<u>\$1,712,972.41</u>
<u>Gasoline Tax Fund</u>	<u>\$423,189.76</u>
<u>Supernumerary Fund</u>	<u>\$92.40</u>

Response: Corrective Action:

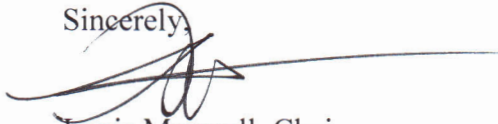
During the month of September, Bills/Invoices for August and September are posted before the end of September, but only August bills are paid before the end of September, in order to capture all bills for the fiscal year. After, the close of September, the September bills are printed and paid before the year end close out for the fiscal year. All deposits that were made after the 5<sup>th</sup> of October are set up

as Accounts Receivables, instead of Deposits in Transit and are posted as Cash in the month that it is received. Therefore, Cash at the end of September is less than normal. Also, warrants are not sent out until funds are available.

Corrective Action: Susan B. Thomas, County Administrator  
Contact: Louis Maxwell, Commission Chairman

If you have questions, or need additional information, please contact me at (334) 724-2557 or the address listed above.

Sincerely,

A handwritten signature in black ink, appearing to be 'Louis Maxwell', with a long horizontal line extending to the right.

Louis Maxwell, Chairman  
Macon County Commission