

Report on the

Macon County Commission

Macon County, Alabama

October 1, 2013 through September 30, 2014

Filed: March 17, 2017



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

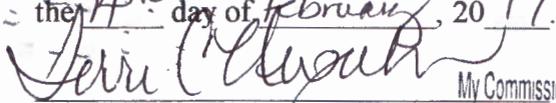
State of Alabama
Department of
Examiners of Public Accounts

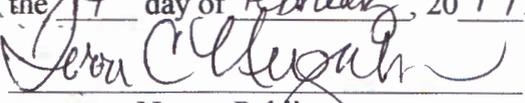
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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

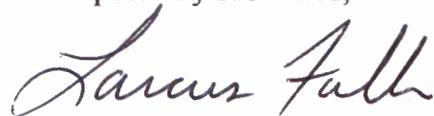
Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Macon County Commission, Macon County, Alabama, for the period October 1, 2013 through September 30, 2014.

Sworn to and subscribed before me this
the 14th day of February, 20 17.

My Commission Expires June 3, 2020
Notary Public

Sworn to and subscribed before me this
the 14th day of February, 20 17.

Notary Public

rb

Respectfully submitted,



Larcus Fuller
Examiner of Public Accounts



Matthew Robinson
Examiner of Public Accounts

Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to state and local legal compliance, Commission operations and other matters.	
Schedule of State and Local Compliance and Other Findings	C
Contains detailed information about findings pertaining to state and local legal compliance and other findings.	
Independent Auditor's Report	G
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
<u>Basic Financial Statements</u>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.	
Exhibit #1 Statement of Net Position	2
Exhibit #2 Statement of Activities	4
Exhibit #3 Balance Sheet – Governmental Funds	6
Exhibit #4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Exhibit #5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Exhibit #7 Statement of Fiduciary Net Position	12
Exhibit #8 Statement of Changes in Fiduciary Net Position	13
Notes to the Financial Statements	14

Table of Contents

	<i>Page</i>
<u>Required Supplementary Information</u>	37
Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #9 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	38
Exhibit #10 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund	42
Exhibit #11 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Public Buildings, Roads and Bridges Fund	46
Exhibit #12 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Improvement Fund	50
Exhibit #13 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund	52
Exhibit #14 Schedule of Funding Progress – Defined Benefit Pension Plan	54
<u>Additional Information</u>	55
Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards.	
Exhibit #15 Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel.	56
Exhibit #16 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements.	57
Exhibit #17 Auditee Response – a response by the Commission on the results of the audit.	60



Department of
Examiners of Public Accounts

SUMMARY

**Macon County Commission
October 1, 2013 through September 30, 2014**

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 41-5-14.

An unmodified opinion was issued on the basic financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2014.

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

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

CURRENT FINDING

- ◆ 2014-001 relates to the Commission's failure to maintain a listing of payables recorded in its Agency Funds.

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

- ◆ 2013-004 relates to the Commission's failure to obtain and file the required bonds for the Commissioners.
- ◆ 2013-006 relates to the Commission utilizing, the proceeds of the General Obligation Warrants, Series 2009, for purposes other than those set forth in the debt covenant.
- ◆ 2013-007 relates to the Commission utilizing the proceeds of the State Gasoline Tax Anticipation Warrants, Series 2012, for purposes other than those set forth in the debt covenant.
- ◆ 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.

A problem was found with the Commission's internal controls over financial reporting as shown on Exhibit 16 and it is summarized below.

- ◆ 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, and Robert M. Berry; Susan Thomas, County Administrator; and representatives from the Department of Examiners of Public Accounts: Tammy Shelley, Audit Manager; and Examiners: Larcus Fuller and Matthew Robinson. An exit conference was conducted via telephone with Commissioner Andrew D. Thompson, Jr.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2014

Ref. No.	Finding/Noncompliance
2014-001	<p><u>Finding:</u> 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><u>Recommendation:</u> The Commission should maintain lists, printouts or other supporting documentation to support the payable balances of the Agency Funds.</p>
2013-004	<p><u>Finding:</u> 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><u>Recommendation:</u> 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>
2013-006	<p><u>Finding:</u> The Macon County Commission issued General Obligation Warrants, Series 2009, dated August 1, 2009. According to the Official Statement, the purpose of the warrants being issued was to advance refund the County’s General Obligation Warrants, Series 2007, and “to construct various capital improvements to the County’s infrastructure.” Proceeds of this issuance totaled \$1,500,000, of which \$29,596.91 was expended during our audit period on items that did not appear to comply with the provisions outlined in the related bond documents.</p> <p><u>Recommendation:</u> The Commission should comply with the provisions in the bond documents for the General Obligation Warrants, Series 2009, for the use of the proceeds derived from the issuance.</p>

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2014

Ref. No.	Finding/Noncompliance
2013-007	<p><u>Finding:</u> The Macon County Commission issued State Gasoline Tax Anticipation Warrants, Series 2012, dated August 1, 2012. According to the Official Statement, the purpose of the warrants being issued was to pay “the costs of construction, surfacing, resurfacing, grading and draining of roads, streets, and bridges in the County.” In testing the expenditures recorded in the 2012 State Gasoline Tax Anticipation Construction Fund, it was noted that some of the proceeds were used for parts repairs on equipment and vehicles. The total of these expenditures was \$14,443.56. This use of the proceeds did not appear to comply with the provisions outlined in the related bond documents.</p> <p><u>Recommendation:</u> The Commission should comply with the provisions in the bond documents for the State Gasoline Tax Anticipation Warrants, Series 2012, for the use of the proceeds derived from the issuance.</p>
2013-008	<p><u>Finding:</u> 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 2014. We were unable to determine if expenditures made by the General Fund were in accordance with the <i>Code of Alabama 1975</i>, Section 11-29-6. At September 30, 2014, the General Fund owed the Capital Improvement Fund \$1,248,307.30.</p> <p><u>Recommendation:</u> The Commission should not make interfund loans using restricted funds and should pay back the remaining \$1,248,307.30 due to the Capital Improvement Fund from the General Fund.</p>
2008-003	<p><u>Finding:</u> 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 2014 did not take existing deficit fund balances into account.</p> <p><u>Recommendation:</u> 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>

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2014

**Ref.
No.**

Finding/Noncompliance

2007-001

Finding:

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, 2014: General Fund, Gasoline Tax Fund, Supernumerary Fund and CDBG Fund.

Fund	Deficit Fund Balance
General Fund	\$1,251,668.96
Gasoline Tax Fund	\$ 190,966.04
Supernumerary Fund	\$ 56.40
CDBG Fund	\$ 39,255.01

Recommendation:

The Commission should issue warrants only from available funds and should not enter into obligations exceeding available resources.

Independent Auditor's Report

Independent Auditor's Report

To: Members of the Macon County Commission and County Administrator

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Commission, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Macon County Commission as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Commission, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, in the fiscal year ended September 30, 2014, the Macon County Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 65, ***Items Previously Reported as Assets and Liabilities***. Our opinion is not modified with respect to this matter.

Other Matters

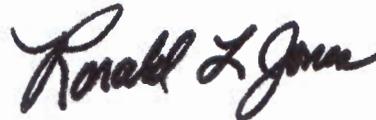
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 13), and the Schedule of Funding Progress (Exhibit 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 February 10, 2017, 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

February 10, 2017

Basic Financial Statements

Statement of Net Position
September 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 766,631.45
Cash with Fiscal Agent	731,826.65
Investments	587,257.82
Ad Valorem Taxes Receivable	1,681,004.07
Receivables, Net (Note 4)	456,492.39
Capital Assets (Note 5)	14,323,573.22
Total Assets	<u>18,546,785.60</u>
<u>Deferred Outflows of Resources</u>	
Unamortized Deferred Loss on Refunding	<u>267,747.48</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Payables	560,791.42
Unearned Revenue	54,951.17
Salaries and Benefits Payable	261,106.57
Accrued Interest Payable	42,073.33
Long-Term Liabilities:	
Portion Payable Within One Year:	
Funding Agreement Payable	90,000.00
Warrants Payable	185,000.00
Less: Unamortized Discount	(7,887.89)
Estimated Liability for Compensated Absences	63,604.90
Portion Payable After One Year:	
Funding Agreement Payable	4,590,000.00
Warrants Payable	5,775,000.00
Less: Unamortized Discount	(173,663.21)
Estimated Liability for Compensated Absences	572,444.07
Total Liabilities	<u>\$ 12,013,420.36</u>

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

	Governmental Activities
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue Property Taxes	<u>\$ 1,681,004.07</u>
<u>Net Position</u>	
Net Investment in Capital Assets	9,638,573.22
Restricted for:	
Road Projects	813,285.58
Capital Projects	1,559,963.88
Debt Service	472,128.33
Other Purposes	619,560.33
Unrestricted	<u>(7,983,402.69)</u>
Total Net Position	<u><u>\$ 5,120,108.65</u></u>

Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<u>Primary Government</u>			
<u>Governmental Activities:</u>			
General Government	\$ 2,319,466.31	\$ 1,202,500.96	\$ 276,760.04
Public Safety	2,456,106.93	244,262.18	26,562.81
Highways and Roads	4,421,186.00		4,608,070.22
Sanitation	101,686.04	32,738.00	
Health	1,538.00		
Welfare	102,682.14		45,954.78
Culture and Recreation	101,323.92	2,212.00	
Education	6,750.00		
Interest and Fiscal Charges	534,655.19		
Intergovernmental	3,345.00		
Total Governmental Activities	\$ 10,048,739.53	\$ 1,481,713.14	\$ 4,957,347.85

General Revenues:

Taxes:

Property Taxes for General Purposes
Property Taxes for Specific Purposes
County Sales and Use Tax
Miscellaneous Taxes

Interest Earned

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

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>
\$ 233,727.49	\$ (606,477.82)
	(2,185,281.94)
	186,884.22
	(68,948.04)
	(1,538.00)
	(56,727.36)
	(99,111.92)
	(6,750.00)
	(534,655.19)
	(3,345.00)
<u>\$ 233,727.49</u>	<u>(3,375,951.05)</u>

3,069,528.04
221,075.72
1,079,336.53
187,026.54
7,449.81
749,557.60
<u>5,313,974.24</u>
1,938,023.19
<u>3,182,085.46</u>
<u>\$ 5,120,108.65</u>

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Gasoline Tax Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$	\$
Cash with Fiscal Agent		
Investments		
Ad Valorem Taxes Receivable, Net	1,154,548.48	
Receivables, Net (Note 4)	184,747.84	193,710.61
Interfund Receivables		142,593.71
Total Assets	1,339,296.32	336,304.32
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	53,207.80	468,843.64
Interfund Payables	1,194,998.94	
Unearned Revenue		
Accrued Wages Payable	188,210.06	58,426.72
Total Liabilities	1,436,416.80	527,270.36
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue Property Taxes	1,154,548.48	
<u>Fund Balances</u>		
Restricted for:		
Highways and Roads		465,491.43
Capital Projects		
Debt Service		
Other Purposes		
Unassigned	(1,251,668.96)	(656,457.47)
Total Fund Balances	(1,251,668.96)	(190,966.04)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,339,296.32	\$ 336,304.32

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

Public Buildings, Roads and Bridges Fund	Capital Improvement Fund	Reappraisal Fund	Gas Tax Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 127,953.64	\$ 151,476.44	\$ 87,864.18	\$	\$ 399,337.19	\$ 766,631.45
323,358.10			259,698.32	148,770.23	731,826.65
	261,202.06			326,055.76	587,257.82
225,822.59		300,633.00			1,681,004.07
				78,033.94	456,492.39
19,905.23	1,150,000.00			39,255.01	1,351,753.95
697,039.56	1,562,678.50	388,497.18	259,698.32	991,452.13	5,574,966.33
	2,714.62	23,598.03		12,427.33	560,791.42
				156,755.01	1,351,753.95
		54,951.17			54,951.17
		9,314.98		5,154.81	261,106.57
	2,714.62	87,864.18		174,337.15	2,228,603.11
225,822.59		300,633.00			1,681,004.07
			259,698.32	88,095.83	813,285.58
	1,559,963.88				1,559,963.88
323,358.10				148,770.23	472,128.33
				619,560.33	619,560.33
147,858.87				(39,311.41)	(1,799,578.97)
471,216.97	1,559,963.88		259,698.32	817,114.98	1,665,359.15
\$ 697,039.56	\$ 1,562,678.50	\$ 388,497.18	\$ 259,698.32	\$ 991,452.13	\$ 5,574,966.33

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2014***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 1,665,359.15

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 14,323,573.22

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. 267,747.48

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	\$ 90,000.00	\$ 4,590,000.00	
Amortized Interest Payable	42,073.33		
Warrants Payable	185,000.00	5,775,000.00	
Estimated Liability for Compensated Absences	63,604.90	572,444.07	
Unamortized Discount	(7,887.89)	(173,663.21)	
Total Liabilities	\$ 372,790.34	\$ 10,763,780.86	(11,136,571.20)

Total Net Position - Governmental Activities (Exhibit 1) \$ 5,120,108.65

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, 2014

	General Fund	Gasoline Tax Fund
<u>Revenues</u>		
Taxes	\$ 3,486,463.19	\$
Licenses and Permits	226,353.02	
Intergovernmental	300,972.72	3,691,506.82
Charges for Services	962,479.69	
Miscellaneous	40,312.96	681,959.65
Total Revenues	<u>5,016,581.58</u>	<u>4,373,466.47</u>
<u>Expenditures</u>		
General Government	1,963,658.21	87.00
Public Safety	2,106,777.86	
Highways and Roads		1,870,177.38
Sanitation	98,156.49	
Welfare	11,900.00	
Culture and Recreation	68,574.80	
Education	6,750.00	
Capital Outlay	10,600.00	2,448,873.35
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Intergovernmental		
Total Expenditures	<u>4,266,417.36</u>	<u>4,319,137.73</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>750,164.22</u>	<u>54,328.74</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	35,264.62	199,448.50
Transfers Out	(83,067.70)	(28,296.68)
Total Other Financing Sources (Uses)	<u>(47,803.08)</u>	<u>171,151.82</u>
Net Change in Fund Balances	702,361.14	225,480.56
Fund Balances - Beginning of Year	<u>(1,954,030.10)</u>	<u>(416,446.60)</u>
Fund Balances - End of Year	<u>\$ (1,251,668.96)</u>	<u>\$ (190,966.04)</u>

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

Public Buildings, Roads and Bridges Fund	Capital Improvement Fund	Reappraisal Fund	Gas Tax Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 564,287.51	\$	\$ 221,075.72	\$	\$ 318,316.99	\$ 4,590,143.41
4,562.16					230,915.18
	233,727.49			962,518.15	5,188,725.18
119,644.37				166,324.06	1,248,448.12
9.55	202.06		74.35	5,972.26	728,530.83
688,503.59	233,929.55	221,075.72	74.35	1,453,131.46	11,986,762.72
	16,438.27	221,075.72		8,935.83	2,210,195.03
111.00	9,932.25			213,707.42	2,330,528.53
			1,360,254.87	991,654.24	4,222,086.49
					98,156.49
				90,782.14	102,682.14
					68,574.80
					6,750.00
					2,459,473.35
				160,000.00	160,000.00
				508,442.45	508,442.45
3,345.00					3,345.00
3,456.00	26,370.52	221,075.72	1,360,254.87	1,973,522.08	12,170,234.28
685,047.59	207,559.03		(1,360,180.52)	(520,390.62)	(183,471.56)
	692.70			844,965.81	1,080,371.63
(628,718.21)				(340,289.04)	(1,080,371.63)
(628,718.21)	692.70			504,676.77	
56,329.38	208,251.73		(1,360,180.52)	(15,713.85)	(183,471.56)
414,887.59	1,351,712.15		1,619,878.84	832,828.83	1,848,830.71
\$ 471,216.97	\$ 1,559,963.88	\$	\$ 259,698.32	\$ 817,114.98	\$ 1,665,359.15

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, 2014

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (183,471.56)

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 (\$2,459,473.35) exceeded depreciation (\$471,765.86). 1,987,707.49

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	70,000.00	160,000.00

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)	
Decreased In Accrued Interest Payable	418.75	
Decrease in Deferred Loss on Refunding	\$ (18,743.60)	
		(26,212.74)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,938,023.19

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

Statement of Fiduciary Net Position
September 30, 2014

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash	\$ 450,697.57	\$ 324,733.01
Receivables	17.70	1,748,108.62
Total Assets	<u>450,715.27</u>	<u>2,072,841.63</u>
<u>Liabilities</u>		
Payables	333,709.39	2,072,841.63
Total Liabilities	<u>333,709.39</u>	<u>\$ 2,072,841.63</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	117,005.88	
Total Net Position	<u>\$ 117,005.88</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, 2014***

	Private-Purpose Trust Funds
<u>Additions</u>	
Charges for Services	\$ 3,828.12
Miscellaneous	10,044.36
Total Additions	<u>13,872.48</u>
<u>Deductions</u>	
General Government	<u>12,043.67</u>
Total Deductions	<u>12,043.67</u>
Changes in Net Position	1,828.81
Net Position - Beginning of Year	<u>115,176.77</u>
Net Position - End of Year	<u>\$ 117,005.58</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily 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.
- ◆ **Public Buildings, Roads and Bridges Fund** – This fund is used to account for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges and special court costs received for equipping and financing the County jail.
- ◆ **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.
- ◆ **Reappraisal Fund** – This fund is used to account for expenditures of property taxes for the costs of the reappraisal program.
- ◆ **Gas Tax Improvement Fund** – This fund is used to account for the expenditure of bond proceeds for the improvement of county roads and bridges.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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.

D. Assets, Deferred Outflows, 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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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 governmental activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
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 outflows 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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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 bonds. Bonds/Warrants payable reported net of the applicable Bond/Warrant premium or discounts. Bond/Warrant issuance costs are recognized as an expense in the current period.

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 used. Issuance cost are reported as debt service expenditures.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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.

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. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ◆ **Unrestricted** – 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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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.

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, 2014, the following governmental funds had deficit fund balances:

General Fund	\$1,251,668.96
Gasoline Tax Fund	\$ 190,966.04
Supernumerary Fund	\$ 56.40
CDBG	\$ 39,255.01

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

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, 2014, 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	\$259,698.32	
Fidelity Institutional Treasury Only CL III	472,128.33	AAAm
Total Investments in Cash With Fiscal Agent	<u>\$731,826.65</u>	

Notes to the Financial Statements

For the Year Ended September 30, 2014

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, 2014, 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, 2014, receivables for the Commission’s individual major funds and other governmental funds in the aggregate are as follows:

Governmental Activities	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total
<u>Receivables:</u>				
Accounts	\$ 4,689.00	\$	\$	\$ 4,689.00
Intergovernmental	180,058.84	193,710.61	78,033.94	451,803.39
Total	<u>\$184,747.84</u>	<u>\$193,710.61</u>	<u>\$78,033.94</u>	<u>\$456,492.39</u>

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/01/2013	Additions	Reductions	Balance 09/30/2014
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 796,825.04	\$	\$	\$ 796,825.04
Infrastructure in Progress				
Total Capital Assets, Not Being Depreciated	796,825.04			796,825.04
Capital Assets Being Depreciated:				
Buildings and Improvements	10,515,987.42			10,515,987.42
Bridges	2,619,777.06	2,382,698.35		5,002,475.41
Construction Equipment	2,750,779.10			2,750,779.10
Office Equipment	1,541,773.88			1,541,773.88
Motor Vehicles	2,542,537.49	76,775.00		2,619,312.49
Other Equipment	55,854.68			55,854.68
Total Capital Assets Being Depreciated	20,026,709.63	2,459,473.35		22,486,182.98
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,027,904.87)	(200,699.52)		(4,228,604.39)
Bridges	(397,997.32)	(95,334.85)		(493,332.17)
Construction Equipment	(1,665,216.93)	(72,653.97)		(1,737,870.90)
Office Equipment	(835,279.64)	(52,978.46)		(888,258.10)
Motor Vehicles	(1,538,279.95)	(48,912.88)		(1,587,192.83)
Other Equipment	(22,990.23)	(1,186.18)		(24,176.41)
Total Accumulated Depreciation	(8,487,668.94)	(471,765.86)		(8,959,434.80)
Net of Depreciation	11,539,040.69	1,987,707.49		13,526,748.18
Governmental Activities Capital Assets, Net	\$12,335,865.73	\$1,987,707.49	\$	\$14,323,573.22

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$109,271.28
Public Safety	125,578.40
Highways and Roads	199,099.51
Sanitation	3,529.55
Health	1,538.00
Culture and Recreation	32,749.12
Total Depreciation Expense – Governmental Activities	\$471,765.86

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Commission contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees of the Commission are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Commission. There are two member tiers. Any member who had service for which they received credit prior to January 1, 2013 is considered a Tier 1 member. Any member who had service for which they received credit on or after January 1, 2013 and no prior eligible service is considered a Tier 2 member. Both Tier 1 member and Tier 2 member benefits vest after 10 years of creditable service.

Vested Tier I employees may retire with full benefits at age 60 or after 25 years of service. Vested Tier II employees may retire after completing at least 10 years of service at the age of 62. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method Tier I retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service, whereas Tier II retirees are allowed 1.6500% of their average final salary (best five of the last ten years) for each year of service with a benefit cap of 80% of the average final salary. Retirees may also elect to receive a reduced retirement allowance (*Special Privileges at Retirement*) in order to provide an allowance to a designated beneficiary after the member's death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of 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 general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the *Code of Alabama 1975*, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

Notes to the Financial Statements
For the Year Ended September 30, 2014

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. Tier II employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System for Tier I and as of October 1, 2012, 7 percent of their salary for Tier II. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for October 1, 2013 through September 30, 2014 was 8.64% for Tier I employees and 6.31% for Tier II employees based on the actuarial valuation performed as of September 30, 2011.

C. Annual Pension Cost

For the year ended September 30, 2014, the Commission's annual pension cost of \$260,000 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2013, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of September 30, 2013 was 28 years.

Notes to the Financial Statements
For the Year Ended September 30, 2014

The following is three-year trend information for the Commission:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2012	\$238,916	100%	\$0
09/30/2013	\$261,550	100%	\$0
09/30/2014	\$260,000	100%	\$0

D. Funded Status and Funding Progress

As of September 30, 2013, the most recent actuarial valuation date, the plan was 81.0 percent funded. The actuarial accrued liability for benefits was \$12,061,547 and the actuarial value of assets was \$9,765,750, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,295,797. The covered payroll (annual payroll of active employees covered by the plan) was \$3,210,917, and the ratio of the UAAL to the covered payroll was 71.5 percent.

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014.

Fiscal Year Ending	Governmental Activities
September 30, 2015	\$ 333,782.50
2016	335,538.75
2017	336,882.50
2018	332,882.50
2019	333,226.25
2020-2024	1,720,793.75
2025-2029	1,736,900.00
2030-2034	1,751,297.50
2035-2039	1,753,993.75
Total Minimum Payments	8,635,297.50
Less: Amount Representing Interest	3,955,297.50
Present Value of Net Minimum Lease Payments	<u>\$4,680,000.00</u>

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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 Seven Cent Gasoline Tax.

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

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2014:

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
Series 2012 Gas Tax	\$ 2,375,000.00	\$	\$	\$ 2,375,000.00	\$110,000.00
Series 2009 G.O. Warrants	3,655,000.00		(70,000.00)	3,585,000.00	75,000.00
Deferred Amounts:					
Unamortized Discount	(189,438.99)		7,887.89	(181,551.10)	(7,887.89)
Total Warrants Payable	5,840,561.01		(62,112.11)	5,778,448.90	177,112.11
Other Liabilities:					
Funding Agreement	4,770,000.00		(90,000.00)	4,680,000.00	90,000.00
Compensated Absences	636,048.97			636,048.97	63,604.90
Total Other Liabilities	5,406,048.97		(90,000.00)	5,316,048.97	153,604.90
Total	\$11,246,609.98	\$	\$(152,112.11)	\$11,094,497.87	\$330,717.01

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

Fiscal Year Ending	Gas Tax Warrants 2012		G. O. Warrants 2009	
	Principal	Interest	Principal	Interest
September 30, 2015	\$ 110,000.00	\$ 59,780.00	\$ 75,000.00	\$ 199,855.00
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
2020-2024	620,000.00	230,480.00	500,000.00	703,625.00
2025-2029	710,000.00	132,520.00	655,000.00	718,200.00
2030-2034	480,000.00	31,700.00	865,000.00	507,900.00
2035-2036			1,155,000.00	216,200.00
Total	\$2,375,000.00	\$680,725.00	\$3,585,000.00	\$3,111,445.00

Bond Issuance Costs, Deferred Charges 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 gas 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	(96,256.46)	(29,194.36)
Balance Issuance Costs, Deferred Charges on Refunding and Discount	286,491.08	189,438.99
Current Amount Amortized	(18,743.60)	(7,887.89)
Balance Issuance Costs, Deferred Charges on Refunding and Discount	\$267,747.48	\$181,551.10

Notes to the Financial Statements
For the Year Ended September 30, 2014

Funding Agreement 2009		Total Principal and Interest Requirements
Principal	Interest	
\$ 90,000.00	\$ 243,782.50	\$ 778,417.50
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	228,226.25	778,451.25
660,000.00	1,060,793.75	3,774,898.75
860,000.00	876,900.00	3,952,620.00
1,145,000.00	606,297.50	3,635,897.50
1,525,000.00	228,993.75	3,125,193.75
\$4,680,000.00	\$3,955,297.50	\$18,387,467.50

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) levied and collected under the authority of Section 215 on 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, 2014 is \$8,635,297.50 and will remain in effect until the final maturity of the agreement on March 1, 2039. For the fiscal year 2014 the debt service requirements for the pledged revenues was \$336,707.50.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 9 – Conduit Debt Note

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, 2014, was \$15,480,000.

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 Commission of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$1,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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 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/Payables

The interfund receivables/payables at September 30, 2014, were as follows:

	Interfund Receivables				Totals
	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund	Capital Improvement Fund	Other Governmental Funds	
<u>Interfund Payables:</u>					
General Fund	\$ 25,093.71	\$19,905.23	\$1,150,000.00	\$	\$1,194,998.94
Other Governmental Funds	117,500.00			39,255.01	156,755.01
Totals	<u>\$142,593.71</u>	<u>\$19,905.23</u>	<u>\$1,150,000.00</u>	<u>\$39,255.01</u>	<u>\$1,351,753.95</u>

Notes to the Financial Statements
For the Year Ended September 30, 2014

Operating Transfers

The amounts of operating transfers during the fiscal year ending September 30, 2014, were as follows:

	Transfers Out				Totals
	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	
Transfers In:					
General Fund	\$	\$	\$	\$ 35,264.62	\$ 35,264.62
Gasoline Tax Fund			199,448.50		199,448.50
Capital Improvement Fund	692.70				692.70
Other Governmental Funds	82,375.00	28,296.68	429,269.71	305,024.42	844,965.81
Totals	\$83,067.70	\$28,296.68	\$628,718.21	\$340,289.04	\$1,080,371.63

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
- ◆ Macon County Public Building Authority
- ◆ Macon County Planning Commission

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 13 – Reclassification

During the fiscal year ended September 30, 2014, the Macon County Commission adopted the GASB Statement Number 65, ***Items Previously Reported as Assets and Liabilities*** (GASB 65), which established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses/expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The implementation of GASB 65 resulted in the reclassification of certain items previously reported as assets and liabilities by the Commission.

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Required Supplementary Information

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2014***

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<u>Revenues</u>			
Taxes	\$ 3,202,419.00	\$ 3,202,419.00	\$ 3,486,463.19
Licenses and Permits	286,000.00	286,000.00	226,353.02
Intergovernmental	391,300.00	391,300.00	298,760.72
Charges for Services	708,400.00	708,400.00	962,479.69
Miscellaneous	153,732.00	153,732.00	28,983.15
Total Revenues	<u>4,741,851.00</u>	<u>4,741,851.00</u>	<u>5,003,039.77</u>
<u>Expenditures</u>			
Current:			
General Government	1,930,349.00	1,930,349.00	1,963,658.21
Public Safety	2,242,389.00	2,242,389.00	2,106,777.86
Sanitation	230,910.00	230,910.00	98,156.49
Health	10,000.00	10,000.00	
Welfare	18,000.00	18,000.00	11,900.00
Culture and Recreation			3,738.34
Education	7,350.00	7,350.00	6,750.00
Capital Outlay	25,000.00	25,000.00	10,600.00
Debt Service:			
Principal Retirement	115,400.00	115,400.00	
Total Expenditures	<u>4,579,398.00</u>	<u>4,579,398.00</u>	<u>4,201,580.90</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>162,453.00</u>	<u>162,453.00</u>	<u>801,458.87</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In			35,264.62
Transfers Out	(162,453.00)	(162,453.00)	(131,917.70)
Total Other Financing Sources (Uses)	<u>(162,453.00)</u>	<u>(162,453.00)</u>	<u>(96,653.08)</u>
Net Change in Fund Balances			704,805.79
Fund Balances - Beginning of Year			<u>(1,949,627.70)</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ (1,244,821.91)</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 3,486,463.19
		226,353.02
(1)	2,212.00	300,972.72
		962,479.69
(1)	11,329.81	40,312.96
	<u>13,541.81</u>	<u>5,016,581.58</u>
		1,963,658.21
		2,106,777.86
		98,156.49
(2)	64,836.46	11,900.00
		68,574.80
		6,750.00
		10,600.00
	<u>64,836.46</u>	<u>4,266,417.36</u>
	<u>(51,294.65)</u>	<u>750,164.22</u>
(3)	48,850.00	35,264.62
	<u>48,850.00</u>	<u>(83,067.70)</u>
	<u>48,850.00</u>	<u>(47,803.08)</u>
	(2,444.65)	702,361.14
(4)	(4,402.40)	(1,954,030.10)
	<u>\$ (6,847.05)</u>	<u>\$ (1,251,668.96)</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2014***

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>\$ 13,541.81</u>
(2) Expenditures Recreation Fund	<u> 64,836.46</u>
(3) Other Financing Sources/(Uses) Net Recreation Fund	<u>\$ 48,850.00</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.

\$ 13,541.81

64,836.46

48,850.00

\$ (2,444.65)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2014***

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<u>Revenues</u>			
Taxes	\$ 120,000.00	\$ 120,000.00	\$
Intergovernmental	893,160.00	893,160.00	3,533,427.57
Charges for Services	129,000.00	129,000.00	
Miscellaneous	759,000.00	759,000.00	441,508.36
Total Revenues	<u>1,901,160.00</u>	<u>1,901,160.00</u>	<u>3,974,935.93</u>
<u>Expenditures</u>			
Current:			
General Government			
Highways and Roads	2,074,383.00	2,074,383.00	1,870,141.38
Capital Outlay	70,000.00	70,000.00	2,448,873.35
Debt Service:			
Principal Retirement	75,000.00	75,000.00	
Total Expenditures	<u>2,219,383.00</u>	<u>2,219,383.00</u>	<u>4,319,014.73</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(318,223.00)</u>	<u>(318,223.00)</u>	<u>(344,078.80)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	318,223.00	318,223.00	199,448.50
Transfers Out			(28,296.68)
Total Other Financing Sources (Uses)	<u>318,223.00</u>	<u>318,223.00</u>	<u>171,151.82</u>
Net Change in Fund Balances			(172,926.98)
Fund Balances - Beginning of Year			<u>(483,530.49)</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ (656,457.47)</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$
(1)	158,079.25	3,691,506.82
(1)	240,451.29	681,959.65
	<u>398,530.54</u>	<u>4,373,466.47</u>
(2)	87.00	87.00
(2)	36.00	1,870,177.38
		2,448,873.35
	<u>123.00</u>	<u>4,319,137.73</u>
	<u>398,407.54</u>	<u>54,328.74</u>
		199,448.50
		<u>(28,296.68)</u>
		<u>171,151.82</u>
	398,407.54	225,480.56
(3)	<u>67,083.89</u>	<u>(416,446.60)</u>
	<u>\$ 465,491.43</u>	<u>\$ (190,966.04)</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2014***

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	\$	297,193.35
Severed Mineral Tax Fund		<u>101,337.19</u>
(2) Expenditures		
Public Highway and Traffic Fund		36.00
Severed Mineral Tax Fund	\$	<u>87.00</u>

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.

\$ 398,530.54

123.00

\$ 398,653.54

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 70,290.00	\$ 70,290.00	\$
Licenses and Permits	7,500.00	7,500.00	4,562.16
Charges for Services	105,000.00	105,000.00	119,644.37
Miscellaneous	500.00	500.00	
Total Revenues	183,290.00	183,290.00	124,206.53
Expenditures			
Current:			
General Government			111.00
Public Safety	3,040.00	3,040.00	
Intergovernmental			3,345.00
Debt Service:			
Principal Retirement	150,000.00	150,000.00	
Interest and Fiscal Charges	30,250.00	30,250.00	
Total Expenditures	183,290.00	183,290.00	3,456.00
Excess (Deficiency) of Revenues Over Expenditures			120,750.53
Other Financing Sources (Uses)			
Transfers Out			(280,257.91)
Total Other Financing Sources (Uses)			(280,257.91)
Net Change in Fund Balances			(159,507.38)
Fund Balances - Beginning of Year			307,366.25
Fund Balances - End of Year	\$	\$	\$ 147,858.87

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 564,287.51	\$ 564,287.51
		4,562.16
		119,644.37
(1)	9.55	9.55
	<u>564,297.06</u>	<u>688,503.59</u>
		111.00
		3,345.00
		<u>3,456.00</u>
	<u>564,297.06</u>	<u>685,047.59</u>
(2)	<u>(348,460.30)</u>	<u>(628,718.21)</u>
	<u>(348,460.30)</u>	<u>(628,718.21)</u>
	215,836.76	56,329.38
(3)	<u>107,521.34</u>	<u>414,887.59</u>
	<u>\$ 323,358.10</u>	<u>\$ 471,216.97</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2014***

Explanation of Budget to GAAP differences:

Some amounts are combined with the Public Buildings, Roads and Bridges Fund for reporting purposes, but are budgeted separately.

(1) Revenues	
Occupational Tax Fund	<u>\$ 564,297.06</u>
(2) Operating Transfers	
Occupational Tax Fund	<u>\$ (348,460.30)</u>

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.

\$ 564,297.06

(348,460.30)

\$ 215,836.76

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Improvement Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Intergovernmental	\$ 190,000.00	\$ 190,000.00	\$ 233,727.49
Miscellaneous	1,040.00	1,040.00	202.06
Total Revenues	191,040.00	191,040.00	233,929.55
Expenditures			
Current:			
General Government	175,040.00	175,040.00	16,438.27
Public Safety	16,000.00	16,000.00	9,932.25
Total Expenditures	191,040.00	191,040.00	26,370.52
Excess (Deficiency) of Revenues Over Expenditures			207,559.03
Other Financing Sources (Uses)			
Transfers In			692.70
Total Other Financing Sources (Uses)			692.70
Net Change in Fund Balances			208,251.73
Fund Balances - Beginning of Year			1,351,712.15
Fund Balances - End of Year	\$	\$	\$ 1,559,963.88

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 233,727.49
	202.06
	<u>233,929.55</u>
	16,438.27
	9,932.25
	<u>26,370.52</u>
	207,559.03
	692.70
	<u>692.70</u>
	208,251.73
	<u>1,351,712.15</u>
\$	<u><u>\$ 1,559,963.88</u></u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 283,808.00	\$ 283,808.00	\$ 221,075.72
Total Revenues	<u>283,808.00</u>	<u>283,808.00</u>	<u>221,075.72</u>
Expenditures			
Current:			
General Government	283,808.00	283,808.00	221,075.72
Total Expenditures	<u>283,808.00</u>	<u>283,808.00</u>	<u>221,075.72</u>
Net Change in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
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\$	\$ 221,075.72
	<u>221,075.72</u>

	<u>221,075.72</u>
	<u>221,075.72</u>

<u>\$</u>	<u>\$</u>
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***Schedule of Funding Progress
Defined Benefit Pension Plan
For the Year Ended September 30, 2014***

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) Entry Age (b) ⁽¹⁾	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2013 ⁽⁴⁾	\$9,765,750	\$12,061,547	\$2,295,797	81.0%	\$3,210,917	71.5%
09/30/2012 ⁽³⁾	\$9,226,985	\$11,545,336	\$2,318,351	79.9%	\$3,065,826	75.6%
09/30/2011 ⁽²⁾	\$9,333,151	\$11,850,891	\$2,517,740	78.8%	\$3,173,166	79.3%

* The actuarial value of the assets was set equal to the marker value of assets as of September 30, 2012. Market Value of the assets as of September 30, 2013: \$10,237,590.

- (1) Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- (2) Reflects changes in actuarial assumptions.
- (3) Reflects changes to interest smoothing methodology.
- (4) Reflects the impact of Act Number 2011-676, Acts of Alabama, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012 and also reflects implementation of Board Funding Policy.

Additional Information

Commission Members and Administrative Personnel
October 1, 2013 through September 30, 2014

Commission Members

Term Expires

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

Administrative Personnel

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***

Independent Auditor's Report

To: Members of the Macon County Commission and the County Administrator

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Commission (the "Commission") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Macon County Commission's basic financial statements and have issued our report thereon dated February 10, 2017.

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.

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

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

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

Finding 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, 2014, 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.

***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***

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

February 10, 2017

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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 1, 2017

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, 2014.

Finding #2014-001:

Generally Accepted Accounting Principles provide for the use of Agency Fund 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 amounts 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, 2014, the Commission expensed more employer retirement than was remitted to the Retirement Systems of Alabama.

Response: Corrective Action:

The Commission was doing this to build up a balance in the Retirement Fund 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 rates have been changed back to the correct amounts.

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 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 since our Exit Conference with the Auditors on February 2, 2017.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator

Contact: Louis Maxwell, Commission Chairman

Finding #2013-006:

The Macon County Commission issued General Obligation Warrants, Series 2009 dated August 1, 2009. According to the Official Statement, the purpose of the warrants being issued was to advance refund the County's General Obligation Warrants, Series 2007 and "to construct various capital improvements to the County's infrastructure". Proceeds of this issuance totaled \$1,500,000.00 of which \$29,596.91 was expended during our audit

period on items that did not appear to comply with the provisions outlined in the related bond documents.

Response: Corrective Action:

The Commission was not aware at the time that there were items purchased that were not in compliance with the outlined bond documents.

Responsible Person(s):

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

Contact: Louis Maxwell, Commission Chairman

Finding #2013-007:

The Macon County Commission issued State Gasoline Tax Anticipation Warrants, Series 2012, dated August 1, 2012. According to the Official Statement, the purpose of the warrants being issued was to pay “the costs of construction, surfacing, resurfacing, grading and draining of roads, streets, and bridges in the County”. In testing the expenditures recorded in the 2012 State Gasoline Tax Anticipation Construction Fund, it was noted that some of the proceeds were used for parts, repairs on equipment and vehicles. The total of these expenditures was \$14,443.56. This use of the proceeds did not appear to comply with the provisions outlined in the related bond documents.

Response: Corrective Action:

The County Engineer has recommended that we pay back the \$14,443.56 from the Macon County Gasoline Fund, but he did not realize that this was not an allowable expenditure at the time.

Responsible Person(s):

Corrective Action: J.D. Smith, County Engineer &
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 2014. We were unable to determine if expenditures made by the General Fund were in accordance with the **Code of Alabama 1975**, Section 11-29-6. At September 30, 2014, the General Fund owed the Capital Improvement Fund \$1,248,307.30.

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 2014 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, Supernumerary Fund and CDBG Fund. On February 2, 2017, the General Fund paid off the \$39,255.01 loan from that the CDBG Fund borrowed from the RRR Gas Tax Fund, which takes care of the deficit in the CDBG Fund.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator,
J.D. Smith, County Engineer &
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, 2014: General Fund, Gasoline Tax Fund, Supernumerary Fund and CDBG Fund.

<u>Fund</u>	<u>Deficit Fund Balance</u>
<u>General Fund</u>	<u>\$1,251,668.96</u>
<u>Gasoline Tax Fund</u>	<u>\$190,966.04</u>
<u>Supernumerary Fund</u>	<u>\$56.40</u>
<u>CDBG Fund</u>	<u>\$39,255.01</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 5th 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,



Louis Maxwell, Chairman
Macon County Commission