

Report on the

Macon County Commission

Macon County, Alabama

October 1, 2017 through September 30, 2018

Filed: April 2, 2021



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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

Dear Madam:

An audit was conducted on the Macon County Commission, Macon County, Alabama, for the period October 1, 2017 through September 30, 2018, by Examiners Jason Norsworthy, Jordan Jensen, and Mike Lambert. I, Jason Norsworthy, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Jason Norsworthy'. The signature is written in a cursive, flowing style.

Jason Norsworthy
Examiner of Public Accounts

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Table of Contents

| | <i>Page</i> |
|---|-------------|
| Summary | A |
| Contains items pertaining to federal, state and local legal compliance, Commission operations and other matters. | |
| Schedule of State and Local Compliance and Other Findings | D |
| Contains detailed information about findings pertaining to state and local legal compliance and other findings. | |
| Independent Auditor's Report | I |
| 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 | 5 |
| Exhibit #4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 6 |
| Exhibit #5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 7 |
| Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 8 |
| Exhibit #7 Statement of Fiduciary Net Position | 9 |
| Exhibit #8 Statement of Changes in Fiduciary Net Position | 10 |
| Notes to the Financial Statements | 11 |

Table of Contents

| | <i>Page</i> |
|---|-------------|
| <u>Required Supplementary Information</u> | 38 |
| Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information. | |
| Exhibit #9 Schedule of Changes in the Net Pension Liability | 39 |
| Exhibit #10 Schedule of the Employer’s Contributions – Pension | 40 |
| Exhibit #11 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 41 |
| Exhibit #12 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund | 43 |
| Exhibit #13 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Improvement Fund | 45 |
| Exhibit #14 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – RRR Gasoline Tax Fund | 46 |
| Exhibit #15 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund | 47 |
| <u>Supplementary Information</u> | 48 |
| Contains financial information and notes relative to federal financial assistance. | |
| Exhibit #16 Schedule of Expenditures of Federal Awards | 49 |
| Notes to the Schedule of Expenditures of Federal Awards | 50 |
| <u>Additional Information</u> | 51 |
| Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> for federal compliance audits. | |
| Exhibit #17 Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel. | 52 |

Table of Contents

| | | <i>Page</i> |
|-------------|--|-------------|
| Exhibit #18 | 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. | 53 |
| Exhibit #19 | Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs, and an opinion on whether the Commission complied with federal statutes, regulations, and the terms and conditions of its federal awards which could have a direct and material effect on each major program. | 56 |
| Exhibit #20 | Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Governmental Auditing Standards</i> and findings and questioned costs for federal awards as required by the <i>Uniform Guidance</i> . | 59 |
| Exhibit #21 | Summary Schedule of Prior Audit Findings – a report, prepared by the management of the Commission, which provides the status of all audit findings relative to federal awards included in the prior audit report’s Schedule of Findings and Questioned Costs as well as unresolved findings included in the prior audit report’s Summary Schedule of Prior Audit Findings. | 67 |
| Exhibit #22 | Auditee Response/Corrective Action Plan – a response by the Commission on the results of the audit and/or corrective action plan for federal audit findings. | 68 |



Department of
Examiners of Public Accounts

SUMMARY

**Macon County Commission
October 1, 2017 through September 30, 2018**

The Macon County Commission (the “Commission”) is governed by 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 17. 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, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

A qualified opinion was issued for the Governmental Activities, the General Fund, the Reappraisal Fund, and the Aggregate Remaining Fund Information. The basis for the qualified opinions is explained in the Independent Auditor’s Report. An unmodified opinion was issued for the Gasoline Tax Fund, Capital Improvement Fund and RRR Gasoline Tax Fund. An unmodified opinion 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, 2018.

Financial statements for the fiscal year ending September 30, 2018, were not prepared by management until August 6, 2020. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to the users of the financial statements.

AUDIT FINDINGS

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.

- ◆ 2018-001 relates to the General Fund deficit cash balance and deficit fund balance. This finding was originally reported in fiscal year 2007 as Finding 2007-001.
- ◆ 2018-002 relates to the Commission expending Reappraisal funds for obligations of the General Fund and the Gasoline Tax Fund. This finding was originally reported in fiscal year 2016 as Finding 2016-004 and Finding 2016-003.
- ◆ 2018-003 relates to the Commission loaning restricted Capital Improvement funds to the General Fund. This finding was originally reported in fiscal year 2013 as Finding 2013-008.
- ◆ 2018-004 relates to the Commission budgeting fund deficits. This finding was originally reported in fiscal year 2008 as Finding 2008-003.
- ◆ 2018-005 relates to the Commission's failure to comply with the County Commissioners' bond requirements. This finding was originally reported in fiscal year 2017 as Finding 2017-001.
- ◆ 2018-006 relates to the Commission's failure to comply with the Public Works Law. This finding was originally reported in fiscal year 2017 as Finding 2017-002.

Problems were found with the Commission's internal controls over financial reporting as shown on Exhibit 20 and they are summarized below.

- ◆ 2018-007 relates to the Commission's failure to correctly record Cash, Receivables and Payables on the financial statements.
- ◆ 2018-008 relates to the failure of the Commission to obtain an actuarial valuation in order to determine its Other Postemployment Benefits liability and related amounts.
- ◆ 2018-009 relates to the Commission's failure to record interfund activity on its financial statements. This finding was originally reported fiscal year 2015 as Finding 2015-001.
- ◆ 2018-010 relates to the Commission's failure to maintain a listing of payables recorded in its Agency Funds. This finding was originally reported in fiscal year 2014 as Finding 2014-001.

- ◆ 2018-011 relates to the Commission's failure to establish internal controls to mitigate the lack of segregation of duties. This finding was originally reported in fiscal year 2015 as Finding 2015-002.
- ◆ 2018-012 relates to the Commission's failure to reconcile retirement remittances to retirement expenses recorded in the financial statements. This finding was previously reported in fiscal year 2014 as Finding 2014-002.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 17, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Susan B. Thomas, County Administrator; Louis Maxwell, Commission Chairman; County Commissioners: Miles D. Robinson, Edward Huffman, and Robert M. Berry. Representing the Department of Examiners of Public Accounts were: Tammy D. Shelley, Audit Manager, and Jason Norsworthy, Examiner. Commissioner Andrew D. Thompson, Jr. participated in the exit conference via telephone.

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*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018

| Ref. No. | Finding/Noncompliance |
|-------------|--|
| 2018-001 | <p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 11-8-10, states the Commission shall not issue warrants until funds are available. During fiscal year 2018, the Commission issued warrants and funds were not available for their payment, resulting in a cash deficit of \$1,561,196.39 and a deficit fund balance of \$3,533,995.06 in the General Fund at September 30, 2018. The Commission did not have policies and procedures in place to ensure compliance with this legal requirement. As a result, the Commission ended the fiscal year with a deficit cash balance and a deficit fund balance in its General Fund.</p> <p>This finding was originally reported in fiscal year 2007 as Finding 2007-001.</p> <p><u>Recommendation:</u> The Commission should issue warrants only from available funds and should not enter into obligations exceeding available resources.</p> |
| 2018-002 | <p><u>Finding:</u> The Reappraisal Fund accounts for property taxes and other revenues required to be expended for the costs of the property reappraisal program. The Alabama Department of Revenue has promulgated rules and regulations regarding the expenditure of this money pursuant to the <i>Code of Alabama 1975</i>, Section 40-7-61. During the fiscal year ended September 30, 2018, the Commission transferred restricted money from the Reappraisal Fund to other funds for payroll-related obligations of the General Fund (\$127,377.39) and the Gasoline Tax Fund (\$87,436.84), none of which were for the property reappraisal program. The Commission failed to establish procedures to ensure Reappraisal Fund monies were only expended for the cost of the property reappraisal program. As a result, these uses were not for the property reappraisal program, and therefore, were not approved by the Alabama Department of Revenue resulting in noncompliance with requirements as prescribed in the <i>Code of Alabama 1975</i>, Section 40-7-61.</p> <p>This finding was originally reported in fiscal year 2016 as Finding 2016-004 and Finding 2016-003.</p> <p><u>Recommendation:</u> The Commission should expend restricted money in the Reappraisal Fund only for the property reappraisal program as approved by the Alabama Department of Revenue in accordance with the <i>Code of Alabama 1975</i>, Section 40-7-61.</p> |

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018

| Ref. No. | Finding/Noncompliance |
|-------------|--|
| 2018-003 | <p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 11-29-6, the legal authority for the Capital Improvement Fund, restricts money in this fund to only 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. During testing, the following issues were noted:</p> <ul style="list-style-type: none"> ✓ The Commission made loans from the Capital Improvement Fund to the General Fund during fiscal year 2018. The Commission was unable to provide documentation that expenditures made by the General Fund were in accordance with the <i>Code of Alabama 1975</i>, Section 11-29-6. ✓ The Commission entered into a capital lease on December 28, 2016, in the amount of \$239,345.00 for the lease purchase of Sheriff’s Department vehicles. Payments for this capital lease are being paid from the Capital Improvement Fund which does not appear to be an allowable use of the Capital Improvement Fund. <p>At September 30, 2018, the General Fund owed the Capital Improvement Fund \$1,661,393.96 for unallowable or undocumented uses of restricted money, an increase of \$440,218.96 over the previous fiscal year. The Commission did not have procedures in place to ensure the restricted money included in the Capital Improvement Fund was spent for allowable purposes resulting in noncompliance with the <i>Code of Alabama 1975</i>, Section 11-29-6.</p> <p>This finding was originally reported in fiscal year 2013 as Finding 2013-008.</p> <p><u>Recommendation:</u> The Commission should expend restricted money in the Capital Improvement Fund in accordance with the <i>Code of Alabama 1975</i>, Section 11-29-6.</p> |

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018

| Ref. No. | Finding/Noncompliance |
|-------------|---|
| 2018-004 | <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 did not take existing deficit fund balances into account when preparing the budget for the 2018 fiscal year. The Commission did not have policies and procedures in place to ensure compliance with this legal requirement. As a result, the Commission approved a budget in which budget appropriations exceeded estimated total revenues available.</p> <p>This finding was originally reported in fiscal year 2008 as Finding 2008-003.</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> |
| 2018-005 | <p><u>Finding:</u> Chapter 2 of Title 11 of the <i>Code of Alabama 1975</i>, requires each County Commissioner to obtain an official bond for the faithful performance of their duties. It also requires each bond to be filed in the office of the Probate Judge no later than the date the Commissioner takes office. There was a lapse in bond coverage for the Commission Chairman between November 12, 2016 through November 12, 2018, which includes the audit period being tested. The Commission did not have procedures in place to ensure the Commission Chairman was bonded as required. As a result, the Commission failed to comply with applicable laws regarding bond requirements for county officials.</p> <p>This finding was previously reported in fiscal year 2017 as Finding 2017-001.</p> <p><u>Recommendation:</u> Commissioners should be bonded in accordance with Chapter 2 of Title 11 of the <i>Code of Alabama 1975</i>, and bonds should be filed in the office of the Probate Judge no later than the date the Commissioner takes office.</p> |

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2018

| Ref. No. | Finding/Noncompliance |
|-------------|---|
| 2018-006 | <p><u>Finding:</u> Title 39 of the <i>Code of Alabama 1975</i>, commonly referred to as the Public Works Law, defines public works as the construction, installation, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, curbs, gutters, side walls, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, installed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the form of lease payments or otherwise. It also requires advertisements and notices to be published, and the winning bidder to be bonded. During the fiscal year ended September 30, 2018, the Commission entered into a contract for road resurfacing. Based on documentation provided and a review of the Commission’s minutes, this contract was bid under the <i>Code of Alabama 1975</i>, Section 41-16-50 (the “Alabama Competitive Bid Law”) requirements rather the Public Works Law requirements. The Public Works Law requirements for advertisements, notices and bonds are more restrictive than those found in the Alabama Competitive Bid Law. The Commission could not provide documentation that the contract was in compliance with the various legal compliance requirements of the Public Works Law, such as advertisements, notices and bonds. The Commission did not have procedures in place to ensure compliance with the Public Works Law. As a result, the Commission entered into a public works contract without adhering to the requirements of the Public Works Law.</p> <p>This finding was originally reported in fiscal year 2017 as Finding 2017-002.</p> <p><u>Recommendation:</u> The Commission should comply with Title 39 of the <i>Code of Alabama 1975</i>, including the retention of supporting documentation.</p> |

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Independent Auditor's Report

Independent Auditor's Report

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

Report on the Financial Statements

We 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, 2018, 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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.

Summary of Opinions

| Opinion Unit | Type of Opinion |
|--|-----------------|
| Governmental Activities | Qualified |
| Governmental Fund – General Fund | Qualified |
| Governmental Fund – Gasoline Tax Fund | Unmodified |
| Governmental Fund – Capital Improvement Fund | Unmodified |
| Governmental Fund – RRR Gasoline Tax Fund | Unmodified |
| Governmental Fund – Reappraisal Fund | Qualified |
| Aggregate Remaining Fund Information | Qualified |

Basis for Qualified Opinions on Governmental Activities, General Fund, Reappraisal Fund, and Aggregate Remaining Fund Information

The management of the Macon County Commission has not recorded its Other Postemployment Benefit (OPEB) liability in the Governmental Activities, and accordingly, has not recorded deferred outflows of resources, deferred inflows of resources, expense or revenue associated with its current period change. Accounting principles generally accepted in the United States of America require that the OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and revenue be recorded, which would increase or decrease the liabilities, deferred outflows of resources, deferred inflows of resources, net position, expenses, and revenues of the Governmental Activities. The amount by which this departure would affect the OPEB liability, deferred outflows of resources, deferred inflows of resources, net position, expenses, and revenues of the Governmental Activities is not reasonably determinable.

Cash and Payables were understated by at least \$591,653.69 in the Governmental Activities and the General Fund opinion units. Also, in the agency funds, included in Remaining Fund Information opinion unit, Cash was overstated by a net amount of at least \$311,234.47 along with an understatement of at least \$808,588.57 in Receivables and \$497,354.10 in Payables.

Furthermore, generally accepted accounting principles require all financial transactions of the Commission to be included on its financial statements. Cash and Interfund Receivables in the Reappraisal Fund were materially misstated by at least \$123,830.70.

Qualified Opinions on Governmental Activities, General Fund, Reappraisal Fund and Remaining Fund Information

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinions on Governmental Activities, General Fund, Reappraisal Fund, and Aggregate Remaining Fund Information” paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, General Fund, Reappraisal Fund, and Aggregate Remaining Fund Information of the Macon County Commission, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Gasoline Tax Fund, Capital Improvement Fund, and the RRR Gasoline Tax Fund of the Macon County Commission as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (MD&A), the Schedule of the Changes in the Net Pension Liability, the Schedule of Changes in the Employer’s Other Postemployment Benefits (OPEB) Liability, the Schedule of the Employer’s Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 9 through 15), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

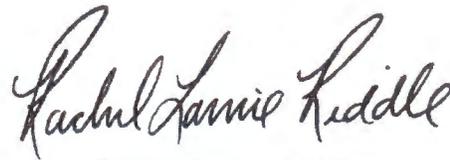
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Macon County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 16), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Macon County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Macon County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

February 3, 2021

Basic Financial Statements

Statement of Net Position
September 30, 2018

| | Governmental Activities |
|--|------------------------------------|
| <u>Assets</u> | |
| Cash and Cash Equivalents | \$ 1,427,382.45 |
| Cash with Fiscal Agent | 180,283.22 |
| Investments | 384,048.21 |
| Ad Valorem Taxes Receivable | 1,975,937.63 |
| Receivables (Note 4) | 381,969.41 |
| Capital Assets (Note 5) | <u>17,828,758.99</u> |
| Total Assets | <u>22,178,379.91</u> |
| <u>Deferred Outflows of Resources</u> | |
| Deferred Loss on Refunding | 192,773.08 |
| Related to Defined Benefit Pension Plan | <u>683,961.06</u> |
| Total Deferred Outflows of Resources | <u>876,734.14</u> |
| <u>Liabilities</u> | |
| <u>Current Liabilities</u> | |
| Cash Deficit | 1,561,196.39 |
| Accounts Payable | 347,775.31 |
| Unearned Revenue | 285,895.79 |
| Salaries and Benefits Payable | 371,032.38 |
| Accrued Interest Payable | 39,062.61 |
| Long-Term Liabilities: | |
| Portion Payable Within One Year: | |
| Funding Agreement Payable | 105,000.00 |
| Warrants Payable | 205,000.00 |
| Capital Leases Payable | 104,291.69 |
| Less: Unamortized Discount | (7,887.89) |
| Estimated Liability for Compensated Absences | 34,131.54 |
| Portion Payable After One Year: | |
| Funding Agreement Payable | 4,190,000.00 |
| Warrants Payable | 4,985,000.00 |
| Capital Leases Payable | 240,564.53 |
| Less: Unamortized Discount | (142,111.65) |
| Net Pension Liability | 1,762,055.00 |
| Estimated Liability for Compensated Absences | <u>307,183.84</u> |
| Total Liabilities | <u>\$ 14,388,189.54</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 | \$ 1,975,937.63 |
| Revenue Received in Advance - Motor Vehicle Taxes Related to Defined Benefit Pension Plan | 106,565.32 |
| | <u>743,676.00</u> |
| Total Deferred Inflows of Resources | <u>2,826,178.95</u> |
| <u>Net Position</u> | |
| Net Investment in Capital Assets | 8,366,073.54 |
| Restricted for: | |
| Capital Projects | 1,724,109.76 |
| Highways and Roads | 674,075.66 |
| Debt Service | 82,683.21 |
| Other Purposes | 701,562.11 |
| Unrestricted | <u>(5,707,758.72)</u> |
| Total Net Position | <u>\$ 5,840,745.56</u> |

Statement of Activities
For the Year Ended September 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues |
|--------------------------------------|------------------------|-------------------------|---------------------------------------|-------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | and Changes in Net Position Total Governmental Activities |
| Primary Government | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 2,309,822.94 | \$ 884,474.47 | \$ 333,538.87 | \$ 233,793.67 | \$ (858,015.93) |
| Public Safety | 2,765,511.28 | 402,467.37 | 174,773.67 | | (2,188,270.24) |
| Highways and Roads | 3,451,904.27 | | 3,565,369.57 | | 113,465.30 |
| Sanitation | 161,827.29 | 27,015.00 | | | (134,812.29) |
| Welfare | 99,864.24 | | 59,728.50 | | (40,135.74) |
| Culture and Recreation | 108,883.71 | | | | (108,883.71) |
| Education | 6,750.00 | | | | (6,750.00) |
| Interest and Fiscal Charges | 524,316.40 | | | | (524,316.40) |
| Intergovernmental | 19,601.42 | | | | (19,601.42) |
| Total Governmental Activities | <u>\$ 9,448,481.55</u> | <u>\$ 1,313,956.84</u> | <u>\$ 4,133,410.61</u> | <u>\$ 233,793.67</u> | <u>(3,767,320.43)</u> |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes for General Purposes | | | | | 1,476,686.87 |
| Property Taxes for Specific Purposes | | | | | 663,229.75 |
| County Sales and Use Tax | | | | | 1,379,607.35 |
| Miscellaneous Taxes | | | | | 428,762.69 |
| Interest Earned | | | | | 15,795.29 |
| Miscellaneous | | | | | 106,828.86 |
| Total General Revenues | | | | | <u>4,070,910.81</u> |
| Change in Net Position | | | | | 303,590.38 |
| Net Position - Beginning of Year | | | | | <u>5,537,155.18</u> |
| Net Position - End of Year | | | | | <u>\$ 5,840,745.56</u> |

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

Balance Sheet
Governmental Funds
September 30, 2018

| | General Fund | Gasoline Tax Fund | Capital Improvement Fund | RRR Gasoline Tax Fund | Reappraisal Fund | Other Governmental Funds | Total Governmental Funds |
|---|-----------------|-------------------|--------------------------|-----------------------|------------------|--------------------------|--------------------------|
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ | \$ 393,671.52 | \$ 18,673.41 | \$ 177,525.69 | \$ 300,103.25 | \$ 537,408.58 | \$ 1,427,382.45 |
| Cash with Fiscal Agent | | | | | | 180,283.22 | 180,283.22 |
| Investments | | | 46,788.89 | | | 337,259.32 | 384,048.21 |
| Ad Valorem Taxes Receivable, Net | 1,338,294.76 | | | | 355,809.75 | 281,833.12 | 1,975,937.63 |
| Receivables (Note 4) | 200,245.26 | 95,150.25 | | 86,196.93 | | 376.97 | 381,969.41 |
| Interfund Receivables | | | 1,661,393.96 | | | | 1,661,393.96 |
| Total Assets | 1,538,540.02 | 488,821.77 | 1,726,856.26 | 263,722.62 | 655,913.00 | 1,337,161.21 | 6,011,014.88 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Cash Deficit | 1,561,196.39 | | | | | | 1,561,196.39 |
| Accounts Payable | 147,300.19 | 191,102.75 | 2,746.50 | | 1,530.34 | 5,095.53 | 347,775.31 |
| Unearned Revenue | | | | | 285,895.79 | | 285,895.79 |
| Interfund Payables | 1,661,393.96 | | | | | | 1,661,393.96 |
| Accrued Wages Payable | 278,923.01 | 68,930.13 | | | 12,677.12 | 10,502.12 | 371,032.38 |
| Total Liabilities | 3,648,813.55 | 260,032.88 | 2,746.50 | | 300,103.25 | 15,597.65 | 4,227,293.83 |
| Deferred Inflows of Resources | | | | | | | |
| Unavailable Revenue - Property Taxes | 1,338,294.76 | | | | 355,809.75 | 281,833.12 | 1,975,937.63 |
| Revenue Received in Advance - Motor Vehicle Taxes | 85,426.77 | | | | | 21,138.55 | 106,565.32 |
| Total Deferred Inflows of Resources | 1,423,721.53 | | | | 355,809.75 | 302,971.67 | 2,082,502.95 |
| Fund Balances | | | | | | | |
| Restricted for: | | | | | | | |
| Road Projects | | 480,267.14 | | 263,722.62 | | 24,398.15 | 768,387.91 |
| Capital Projects | | | 1,724,109.76 | | | | 1,724,109.76 |
| Debt Service | | | | | | 121,745.82 | 121,745.82 |
| Other Purposes | | | | | | 717,540.98 | 717,540.98 |
| Unassigned | (3,533,995.06) | (251,478.25) | | | | 154,906.94 | (3,630,566.37) |
| Total Fund Balances | (3,533,995.06) | 228,788.89 | 1,724,109.76 | 263,722.62 | | 1,018,591.89 | (298,781.90) |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1,538,540.02 | \$ 488,821.77 | \$ 1,726,856.26 | \$ 263,722.62 | \$ 655,913.00 | \$ 1,337,161.21 | \$ 6,011,014.88 |

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2018***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ (298,781.90)

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 17,828,758.99

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. 192,773.08

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

| | Due or Payable Within One Year | Due or Payable After One Year | |
|--|-----------------------------------|----------------------------------|-----------------|
| Funding Agreement Payable | \$ 105,000.00 | \$ 4,190,000.00 | |
| Accrued Interest Payable | 39,062.61 | | |
| Warrants Payable | 205,000.00 | 4,985,000.00 | |
| Capital Leases Payable | 104,291.69 | 240,564.53 | |
| Unamortized Discount | (7,887.89) | (142,111.65) | |
| Estimated Liability for Compensated Absences | 34,131.54 | 307,183.84 | |
| Net Pension Liability | | 1,762,055.00 | |
| Total Liabilities | \$ 479,597.95 | \$ 11,342,691.72 | (11,822,289.67) |

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

| | | |
|--|-----------------|-------------|
| Deferred Inflows Related to Net Pension Liability | \$ (743,676.00) | |
| Deferred Outflows Related to Net Pension Liability | 683,961.06 | |
| | | (59,714.94) |

Total Net Position - Governmental Activities (Exhibit 1) \$ 5,840,745.56

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, 2018

| | General Fund | Gasoline Tax Fund | Capital Improvement Fund | RRR Gasoline Tax Fund | Reappraisal Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------|--------------------------|-----------------------|------------------|--------------------------|--------------------------|
| Revenues | | | | | | | |
| Taxes | \$ 2,670,168.68 | \$ | \$ | \$ | 282,158.91 | \$ 724,447.29 | \$ 3,676,774.88 |
| Licenses and Permits | 294,601.62 | | | | | 4,700.57 | 299,302.19 |
| Intergovernmental | 417,597.04 | 2,567,434.47 | 233,793.67 | 997,915.10 | | 453,755.21 | 4,670,495.49 |
| Charges for Services | 692,928.32 | 20.00 | | | | 289,926.90 | 982,875.22 |
| Miscellaneous | 79,174.01 | 16,890.32 | 18,234.75 | 318.23 | | 8,006.84 | 122,624.15 |
| Total Revenues | 4,154,469.67 | 2,584,344.79 | 252,028.42 | 998,233.33 | 282,158.91 | 1,480,836.81 | 9,752,071.93 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General Government | 1,889,195.44 | | 79,236.37 | | 282,158.91 | 57,695.36 | 2,308,286.08 |
| Public Safety | 2,508,469.69 | | 7,905.80 | | | 213,802.63 | 2,730,178.12 |
| Highways and Roads | | 1,950,549.69 | | 1,017,413.48 | | 226,611.38 | 3,194,574.55 |
| Sanitation | 158,297.74 | | | | | | 158,297.74 |
| Welfare | 9,450.00 | | | | | 90,414.24 | 99,864.24 |
| Culture and Recreation | 76,134.59 | | | | | | 76,134.59 |
| Education | 6,750.00 | | | | | | 6,750.00 |
| Capital Outlay | | 14,239.00 | | | | | 14,239.00 |
| Debt Service: | | | | | | | |
| Principal Retirement | | 54,474.51 | 47,869.02 | | | 300,000.00 | 402,343.53 |
| Interest and Fiscal Charges | | 8,125.77 | 6,144.96 | | | 484,225.53 | 498,496.26 |
| Intergovernmental | | | | | | 19,601.42 | 19,601.42 |
| Total Expenditures | 4,648,297.46 | 2,027,388.97 | 141,156.15 | 1,017,413.48 | 282,158.91 | 1,392,350.56 | 9,508,765.53 |
| Excess (Deficiency) of Revenues Over Expenditures | (493,827.79) | 556,955.82 | 110,872.27 | (19,180.15) | | 88,486.25 | 243,306.40 |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers In | 49,900.22 | 228,489.11 | 116,027.96 | 40,000.00 | | 1,220,843.39 | 1,655,260.68 |
| Transfers Out | (192,762.96) | (343,567.54) | | | | (1,118,930.18) | (1,655,260.68) |
| Total Other Financing Sources (Uses) | (142,862.74) | (115,078.43) | 116,027.96 | 40,000.00 | | 101,913.21 | |
| Net Change in Fund Balances | (636,690.53) | 441,877.39 | 226,900.23 | 20,819.85 | | 190,399.46 | 243,306.40 |
| Fund Balances - Beginning of Year | (2,897,304.53) | (213,088.50) | 1,497,209.53 | 242,902.77 | | 828,192.43 | (542,088.30) |
| Fund Balances - End of Year | \$ (3,533,995.06) | \$ 228,788.89 | \$ 1,724,109.76 | \$ 263,722.62 | \$ | \$ 1,018,591.89 | \$ (298,781.90) |

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

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2018

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 243,306.40

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 (\$14,239.00) differed from depreciation expense (\$492,899.79). (478,660.79)

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

Repayments:

| | | | |
|------------------------|----|------------|------------|
| Capital Leases Payable | \$ | 102,343.53 | |
| Funding Agreement | | 100,000.00 | |
| Warrants Payable | | 200,000.00 | |
| | | | 402,343.53 |

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

| | | | |
|--|----|-------------|------------|
| Decrease in Unamortized Discount | \$ | (7,887.89) | |
| Decrease in Pension Expense | | 140,281.60 | |
| Decrease In Accrued Interest Payable | | 811.35 | |
| Decrease in Compensated Absences | | 22,139.78 | |
| Decrease in Deferred Loss on Refunding | | (18,743.60) | |
| | | | 136,601.24 |

Change in Net Position of Governmental Activities (Exhibit 2) \$ 303,590.38

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

Statement of Fiduciary Net Position
September 30, 2018

| | Private-Purpose Trust Funds | Agency Funds |
|----------------------------------|--|-------------------------|
| <u>Assets</u> | | |
| Cash | \$ 299,130.04 | \$ 1,076,497.80 |
| Receivables (Note 4) | 1,116.60 | 824,464.76 |
| Total Assets | <u>300,246.64</u> | <u>1,900,962.56</u> |
| <u>Liabilities</u> | | |
| Payables | 174.30 | 1,900,962.56 |
| Payable to External Parties | 168,649.27 | |
| Total Liabilities | <u>168,823.57</u> | <u>\$ 1,900,962.56</u> |
| <u>Net Position</u> | | |
| Held in Trust for Other Purposes | <u>131,423.07</u> | |
| Total Net Position | <u>\$ 131,423.07</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, 2018***

| | Private-Purpose Trust Funds |
|----------------------------------|--|
| <u>Additions</u> | |
| Charges for Services | \$ 3,725.49 |
| Miscellaneous | 168.13 |
| Total Additions | <u>3,893.62</u> |
| <u>Deductions</u> | |
| Administrative | <u>541.53</u> |
| Total Deductions | <u>541.53</u> |
| Changes in Net Position | 3,352.09 |
| Net Position - Beginning of Year | <u>128,070.98</u> |
| Net Position - End of Year | <u>\$ 131,423.07</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, 2018

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, 2018

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 bonds for which gasoline tax revenues have been pledged. Also accounted for in this fund are motor vehicle license taxes and fees and drivers' license revenues to be used for the construction, improvement and maintenance of public highways and streets. Additionally, the revenues and expenditures relating to the severed mineral tax are accounted for in this fund.
- ◆ **Capital Improvement Fund** – This fund is used to account for the Commission's share of distributions from the Alabama Trust Fund. The funds are to be used for capital improvements in the County.
- ◆ **RRR Gasoline Tax Fund** – This fund is used to account for the expenditures of the following taxes: four-cents State gasoline tax, five-cents State gasoline tax, two-cents State petroleum inspection fee, and the designated portion of truck licenses for the resurfacing, restoration, and rehabilitation of existing paved county roads and bridges. Also accounted for in this fund are State petroleum products inspection fees and penalties to be used for the reconstruction, resurfacing, restoration and rehabilitation of paved county roads and bridges or bridge replacement within the County.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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, 2018

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 of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash includes cash on hand and in demand deposits.

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

2. Receivables

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2018

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 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, 2018

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the bonds. Bonds/Warrants payable reported gross with the applicable bond/warrant premium or discount reported separately. Bond/Warrant issuance costs are recognized as an expense in the period incurred.

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

| Completed Years of Continued Service | Per Pay Period |
|--------------------------------------|----------------|
| 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, 2018

Sick Leave

Sick leave accrues to permanent full-time employees at the 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 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 governmental 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, 2018

- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2018

E. Pensions

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

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, 2018, the following governmental fund had a deficit fund balance:

| | |
|--------------|-----------------------|
| General Fund | <u>\$3,533,995.06</u> |
|--------------|-----------------------|

The Commission will endeavor to reduce expenditures in this fund in the coming years to resolve the deficit fund balance.

Notes to the Financial Statements
For the Year Ended September 30, 2018

Note 3 – Deposits and Investments

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2018

Note 4 – Receivables

On September 30, 2018, receivables for the Commission’s individual major funds, other governmental and fiduciary funds in the aggregate are as follows:

| | General Fund | Gasoline Tax Fund | RRR Gasoline Tax Fund | Other Governmental Funds | Total Governmental Activities |
|---------------------|---------------------|----------------------|--------------------------|--------------------------------|-------------------------------------|
| <u>Receivables:</u> | | | | | |
| Intergovernmental | \$200,245.26 | \$95,150.25 | \$86,196.93 | \$376.97 | \$381,969.41 |
| Total | <u>\$200,245.26</u> | <u>\$95,150.25</u> | <u>\$86,196.93</u> | <u>\$376.97</u> | <u>\$381,969.41</u> |

| | Private-Purpose Trust Funds | Agency Funds | Total Fiduciary Funds |
|---------------------|--------------------------------|---------------------|-----------------------------|
| <u>Receivables:</u> | | | |
| Intergovernmental | \$1,116.60 | \$824,464.76 | \$825,581.36 |
| Total | <u>\$1,116.60</u> | <u>\$824,464.76</u> | <u>\$825,581.36</u> |

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2018, the Commission has unexpended reappraisal funds of \$285,895.79 which were reported as unearned revenues.

Notes to the Financial Statements
For the Year Ended September 30, 2018

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

| | Balance 10/01/2017 | Additions | Reductions/ Reclassifications (*) | Balance 09/30/2018 |
|---|-----------------------|----------------|--------------------------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 796,825.04 | \$ | \$ | \$ 796,825.04 |
| Total Capital Assets, Not Being Depreciated | 796,825.04 | | | 796,825.04 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 10,515,987.42 | | (29,969.70) | 10,486,017.72 |
| Bridges | 9,255,164.41 | | | 9,255,164.41 |
| Construction Equipment | 2,990,256.75 | | | 2,990,256.75 |
| Office Equipment | 1,541,773.88 | | | 1,541,773.88 |
| Motor Vehicles | 3,043,178.79 | 14,239.00 | 29,969.70 | 3,087,387.49 |
| Equipment Under Capital Lease | 539,887.08 | | | 539,887.08 |
| Other Equipment | 55,854.68 | | | 55,854.68 |
| Total Capital Assets Being Depreciated | 27,942,103.01 | 14,239.00 | | 27,956,342.01 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (4,826,088.95) | (199,161.52) | 10,389.47 | (5,014,861.00) |
| Bridges | (975,005.13) | (178,277.19) | | (1,153,282.32) |
| Construction Equipment | (1,873,007.17) | (34,856.34) | | (1,907,863.51) |
| Office Equipment | (1,019,584.01) | (25,734.65) | | (1,045,318.66) |
| Motor Vehicles | (1,652,092.13) | (45,669.46) | (10,389.47) | (1,708,151.06) |
| Equipment Under Capital Lease | (53,988.70) | | | (53,988.70) |
| Other Equipment | (31,742.18) | (9,200.63) | | (40,942.81) |
| Total Accumulated Depreciation | (10,431,508.27) | (492,899.79) | | (10,924,408.06) |
| Total Capital Assets Being Depreciated, Net | 17,510,594.74 | (478,660.79) | | 17,031,933.95 |
| Governmental Activities Capital Assets, Net | \$ 18,307,419.78 | \$(478,660.79) | \$ | \$ 17,828,758.99 |
| (*) Reclassifications were made to properly reflect motor vehicles previously listed as buildings and improvements. | | | | |

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

| | Current Year Depreciation Expense |
|--|---|
| Governmental Activities: | |
| General Government | \$ 93,847.44 |
| Public Safety | 105,443.96 |
| Highway and Roads | 257,329.72 |
| Sanitation | 3,529.55 |
| Culture and Recreation | 32,749.12 |
| Total Depreciation Expense – Governmental Activities | <u>\$492,899.79</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2018

Benefits Provided

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

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

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

The ERS membership includes approximately 88,517 participants from 909 local participating employers. As of September 30, 2017, membership consisted of:

| | |
|---|---------------|
| Retirees and beneficiaries currently receiving benefits | 23,853 |
| Terminated employees entitled to but not yet receiving benefits | 1,401 |
| Terminated employees not entitled to a benefit | 7,154 |
| Active Members | 55,941 |
| Post-DROP participants who are still in active service | 168 |
| Total | <u>88,517</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2018

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018, the Commission's active employee contribution rate was 5.38 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 7.32 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2018, was 7.54% of pensionable pay for Tier 1 employees, and 5.05% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$288,580.06 for the year ended September 30, 2018.

Notes to the Financial Statements
For the Year Ended September 30, 2018

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, rolled forward to September 30, 2017, using standard roll-forward techniques as shown in the following table:

| | Expected | Actual |
|--|---------------------|---------------------|
| Total Pension Liability as of September 30, 2016 (a) | \$13,371,197 | \$13,569,733 |
| Discount Rates (b) | 7.75% | 7.75% |
| Entry Age Normal Cost for October 1, 2016 – September 30, 2017 (c) | 279,340 | 279,340 |
| Transfers Among Employees (d) | | 24,665 |
| Actual Benefit Payments and Refunds for October 1, 2016 – September 30, 2017 (e) | (732,140) | (732,140) |
| Total Pension Liability as of September 30, 2017 (f) =[(a) x (1+b)] + (c) + (d) + [(e) x (1+0.5*(b))] | <u>\$13,926,294</u> | <u>\$14,164,882</u> |
| Difference between Expected and Actual (g) | | \$ 238,588 |
| Less Liability Transferred for Immediate Recognition (h) | | 24,665 |
| Experience (i) (Gain)/Loss = (g-h) | | <u>\$ 213,923</u> |

Actuarial Assumptions

The total pension liability as of September 30, 2017, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016, which was determined using the following actuarial assumptions, applied to all periods included in the measurement. The key actuarial assumptions are summarized below:

| | |
|--|---------------|
| Inflation | 2.75% |
| Salary Increases | 3.25% - 5.00% |
| Investment Rate of Return (*) | 7.75% |
| (*) Net of Pension Plan Investment Expense | |

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

Notes to the Financial Statements
For the Year Ended September 30, 2018

The actuarial assumptions used in the September 30, 2016, valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

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

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

(*) Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2018

C. Changes in Net Pension Liability

| | Increase/(Decrease) | | |
|--|-----------------------------------|---------------------------------------|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances at September 30, 2016 | \$13,371,197 | \$11,222,704 | \$ 2,148,493 |
| Changes for the Year: | | | |
| Service Cost | 279,340 | | 279,340 |
| Interest | 1,007,897 | | 1,007,897 |
| Changes of assumptions | | | |
| Differences between Expected and Actual Experience | 213,923 | | 213,923 |
| Contributions – Employer | | 264,766 | (264,766) |
| Contributions – Employee | | 201,323 | (201,323) |
| Net Investment Income | | 1,421,509 | (1,421,509) |
| Benefit Payments, including Refunds of Employee Contributions | (732,140) | (732,140) | |
| Administrative Expense | | | |
| Transfers Among Employers | 24,665 | 24,665 | |
| Net Changes | 793,685 | 1,180,123 | (386,438) |
| Balances at September 30, 2017 | \$14,164,882 | \$12,402,827 | \$ 1,762,055 |

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

The following table presents the Commission’s net pension liability calculated using the discount rate of 7.75%, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|------------------------------------|------------------------|-------------------------------------|------------------------|
| Commission’s Net Pension Liability | \$3,208,097 | \$1,762,055 | \$526,058 |

Notes to the Financial Statements

For the Year Ended September 30, 2018

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2018, the Commission recognized pension expense of \$122,288.00. At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$172,784.00 | \$371,576.00 |
| Changes of assumptions | 222,597.00 | |
| Net difference between projected and actual earnings on pension plan investments | | 372,100.00 |
| Employer contributions subsequent to the measurement date | 288,580.06 | |
| Total | <u>\$683,961.06</u> | <u>\$743,676.00</u> |

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

| Year Ending: | |
|--------------------|-------------|
| September 30, 2019 | \$(103,220) |
| 2020 | \$ (22,382) |
| 2021 | \$(150,266) |
| 2022 | \$ (80,655) |
| 2023 | \$ 8,228 |
| Thereafter | \$ |

Notes to the Financial Statements
For the Year Ended September 30, 2018

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 County Commission and (2) to currently refund and retire the Series 1999 Macon County Public Building Authority Revenue Warrants, dated May 1, 1999, which were outstanding in the amount of \$3,030,000.00. The Series 1999 Macon County Public Authority Revenue Warrants were issued to finance the costs of acquiring, constructing and equipping the Macon County Jail Facility. The Macon County Commission agreed to pay all principal and interest on the Series 2009 Macon County Public Authority Warrants and when the Series 2009 Revenue Warrants have been fully paid, the Macon County Building Authority will convey the assets in their then condition to the County without payment of any further consideration to the Macon County Public Authority by the Macon County Commission.

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

The following is a schedule by years of future minimum payments under the agreement presented together with the net present value of the minimum payments as of September 30, 2018.

| Fiscal Year Ending | Governmental Activities |
|---|----------------------------|
| September 30, 2019 | \$ 333,526.25 |
| 2020 | 343,745.00 |
| 2021 | 343,382.50 |
| 2022 | 342,645.00 |
| 2023 | 346,395.00 |
| 2024-2028 | 1,729,600.00 |
| 2029-2033 | 1,748,256.25 |
| 2034-2038 | 1,759,186.25 |
| 2039 | 349,775.00 |
| Total Minimum Payments | 7,296,511.25 |
| Less: Amount Representing Interest | (3,001,511.25) |
| Present Value of Net Minimum Lease Payments | <u>\$ 4,295,000.00</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2018

Note 8 – Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$539,887.08 for governmental activities at September 30, 2018. If the Commission completes the lease payments according to the schedule below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

| Fiscal Year Ending | Governmental Activities |
|---|----------------------------|
| September 30, 2019 | \$116,614.26 |
| 2020 | 116,614.26 |
| 2021 | 116,614.24 |
| 2022 | 26,083.45 |
| Total Minimum Payments | 375,926.21 |
| Less: Amount Representing Interest | (31,069.99) |
| Present Value of Net Minimum Lease Payments | \$344,856.22 |

Note 9 – 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. Payments on the 2009 Funding Agreement are made from the Public Buildings, Roads and Bridges Fund as well as Occupational Taxes.

On September 16, 2009, the Commission issued their \$3,795,000.00 General Obligation Warrants, Series 2009 (the "Warrants"), dated August 1, 2009. The Warrants will pay a fixed interest rate ranging from 3.30% 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. Payments on the 2009 General Obligation Warrants are made from the Public Buildings, Roads and Bridges Fund as well as from occupational taxes.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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.

On December 15, 2016, the Commission entered into a capital lease in the amount of \$284,954.00 for the lease purchase of highway equipment. Payments on this lease are made from the Gasoline Tax Fund.

On December 28, 2016, the Commission entered into a capital lease in the amount of \$239,345.00 for the purchase of Sheriff's Department vehicles. Payments on this lease are made from the Capital Improvement Fund.

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

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

The following is a summary of long-term debt obligations for the Commission for the year ended September 30, 2018:

| | Debt Outstanding 10/01/2017 | Issued/ Increased | Repaid/ Decreased | Debt Outstanding 09/30/2018 | Amounts Due Within One Year |
|--------------------------------|-----------------------------------|----------------------|-----------------------|-----------------------------------|-----------------------------------|
| Governmental Activities | | | | | |
| Warrants Payable: | | | | | |
| Series 2012 Gasoline Tax | \$ 2,040,000.00 | \$ | \$(115,000.00) | \$ 1,925,000.00 | \$115,000.00 |
| Series 2009 G.O. Warrants | 3,350,000.00 | | (85,000.00) | 3,265,000.00 | 90,000.00 |
| Deferred Amounts: | | | | | |
| Unamortized Discount | (157,887.43) | | 7,887.89 | (149,999.54) | (7,887.89) |
| Total Warrants Payable | <u>5,232,112.57</u> | | <u>(192,112.11)</u> | 5,040,000.46 | 197,112.11 |
| Other Liabilities: | | | | | |
| Capital Leases Payable | 447,199.75 | | (102,343.53) | 344,856.22 | 104,291.69 |
| Funding Agreement | 4,395,000.00 | | (100,000.00) | 4,295,000.00 | 105,000.00 |
| Compensated Absences | 363,455.16 | | (22,139.78) | 341,315.38 | 34,131.54 |
| Net Pension Liability | 2,148,493.00 | | (386,438.00) | 1,762,055.00 | |
| Total Other Liabilities | <u>7,354,147.91</u> | | <u>(610,921.31)</u> | 6,743,226.60 | 243,423.23 |
| Total Long-Term Liabilities | <u>\$12,586,260.48</u> | <u>\$</u> | <u>\$(803,033.42)</u> | \$11,783,227.06 | \$440,535.34 |

Notes to the Financial Statements
For the Year Ended September 30, 2018

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

| Fiscal Year Ending | Series 2012 Gasoline Tax Warrants | | Series 2009 General Obligation Warrants | |
|--------------------|---|--------------|---|----------------|
| | Principal | Interest | Principal | Interest |
| September 30, 2019 | \$ 115,000.00 | \$ 54,130.00 | \$ 90,000.00 | \$ 186,095.00 |
| 2020 | 120,000.00 | 51,715.00 | 90,000.00 | 182,225.00 |
| 2021 | 120,000.00 | 49,195.00 | 95,000.00 | 177,725.00 |
| 2022 | 125,000.00 | 46,315.00 | 100,000.00 | 172,975.00 |
| 2023 | 125,000.00 | 43,315.00 | 105,000.00 | 167,975.00 |
| 2024-2028 | 690,000.00 | 162,280.00 | 620,000.00 | 751,750.00 |
| 2029-2033 | 630,000.00 | 51,880.00 | 815,000.00 | 556,075.00 |
| 2034-2038 | | | 1,090,000.00 | 281,700.00 |
| 2039 | | | 260,000.00 | 15,600.00 |
| Totals | \$1,925,000.00 | \$458,830.00 | \$3,265,000.00 | \$2,492,120.00 |

Deferred Loss on Refunding and Discounts

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

| | Deferred Loss on Refunding | Discounts |
|--|-------------------------------|--------------|
| Total Deferred Loss on Refunding and Discounts | \$ 382,747.54 | \$218,633.35 |
| Amount Amortized Prior Years | (171,230.86) | (60,745.92) |
| Balance Deferred Loss on Refunding and Discounts | 211,516.68 | 157,887.43 |
| Current Amount Amortized | (18,743.60) | (7,887.89) |
| Balance Deferred Loss on Refunding and Discounts | \$ 192,773.08 | \$149,999.54 |

Notes to the Financial Statements
For the Year Ended September 30, 2018

| Funding Agreement 2009 | | Capital Leases | | Total Principal and Interest Requirements to Maturity |
|------------------------|-----------------------|---------------------|--------------------|---|
| Principal | Interest | Principal | Interest | |
| \$ 105,000.00 | \$ 228,526.25 | \$104,291.69 | \$12,322.57 | \$ 895,365.51 |
| 120,000.00 | 223,745.00 | 106,309.51 | 10,304.75 | 904,299.26 |
| 125,000.00 | 218,382.50 | 108,399.48 | 8,214.76 | 901,916.74 |
| 130,000.00 | 212,645.00 | 25,855.54 | 227.91 | 813,018.45 |
| 140,000.00 | 206,395.00 | | | 787,685.00 |
| 810,000.00 | 919,600.00 | | | 3,953,630.00 |
| 1,080,000.00 | 668,256.25 | | | 3,801,211.25 |
| 1,445,000.00 | 314,186.25 | | | 3,130,886.25 |
| 340,000.00 | 9,775.00 | | | 625,375.00 |
| \$4,295,000.00 | \$3,001,511.25 | \$344,856.22 | \$31,069.99 | \$15,813,387.46 |

Pledged Revenues

The Commission has pledged the proceeds of Court Fees (the “Fees”) authorized to be collected in the County by Amendment Number 530 of the *Constitution of Alabama 1901*. Amendment Number 530 provides that the Fees may be applied only to the costs of constructing and equipping the County Jail, or to payment of principal and interest on any bonds, warrants or other obligations issued by or on behalf of the County to finance the costs of constructing and equipping the County Jail. The Commission has also pledged the proceeds of the County Occupational Tax authorized by Act Number 97-522, Acts of Alabama, (the “Occupational Tax Act”) and approved by a majority of the qualified electors of Macon County. The Occupational Tax Act provides that fifty percent of the net proceeds thereof shall be distributed to the Macon County Healthcare authority, that twenty five percent of the said net proceeds shall be used to retire the indebtedness incurred in connection with the construction and equipping of the County Jail, and that twenty five percent of the net proceeds shall be distributed to the General Fund of the County. The Commission has also pledged the proceeds from the Special County Tax (2.5 mills ad valorem tax) levied and collected under the authority of Section 215 of the *Constitution of Alabama 1901*, as amended. On May 1, 2009, the Commission entered into a funding agreement with the Macon County Public Building Authority to acquire administrative office facilities and the jail facility. The remaining amount of the pledges as of September 30, 2018, is \$7,296,511.25 and will remain in effect until the final maturity of the agreement on March 1, 2039. For fiscal year 2018, the debt service requirements for the pledged revenues was \$332,882.50.

Notes to the Financial Statements
For the Year Ended September 30, 2018

The Commission issued \$2,375,000 in State Gasoline Tax Anticipation Warrants, Series 2012 for the purpose of (a) paying the cost of construction, surfacing, resurfacing, grading and draining of roads, streets and bridges in the County and (b) paying the cost of issuing the warrants. The Commission pledged to repay the tax anticipation warrants from the County's share of the 7-cent State Gasoline Tax. Future revenues in the amount of \$2,383,830.00 are pledged to repay the principal and interest on the warrants at September 30, 2018. For fiscal year 2018, the debt service requirements for the pledged revenues was \$171,763.03. The State Gasoline Tax Anticipation Warrants, Series 2012, will mature in fiscal year 2032.

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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2018

Note 11 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables/payables at September 30, 2018, were as follows:

| | Interfund Receivables | |
|---------------------------|--------------------------------|-----------------------|
| | Capital Improvement Fund | Totals |
| <u>Interfund Payables</u> | | |
| General Fund | \$1,661,393.96 | \$1,661,393.96 |
| Totals | <u>\$1,661,393.96</u> | <u>\$1,661,393.96</u> |

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2018, were as follows:

| | Transfers Out | | | Totals |
|--------------------------|---------------------|----------------------|--------------------------------|-----------------------|
| | General Fund | Gasoline Tax Fund | Other Governmental Funds | |
| <u>Transfers In:</u> | | | | |
| General Fund | \$ | \$ | \$ 49,900.22 | \$ 49,900.22 |
| Gasoline Tax Fund | | | 228,489.11 | 228,489.11 |
| Capital Improvement Fund | 116,027.96 | | | 116,027.96 |
| RRR Gasoline Tax Fund | | 40,000.00 | | 40,000.00 |
| Other Governmental Funds | 76,735.00 | 303,567.54 | 840,540.85 | 1,220,843.39 |
| Totals | <u>\$192,762.96</u> | <u>\$343,567.54</u> | <u>\$1,118,930.18</u> | <u>\$1,655,260.68</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 12 – Related Organizations

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

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

Note 13 – Deficit Cash Balance

The General Fund has a deficit cash balance of \$1,561,196.39 at September 30, 2018. The deficit occurred because the Commission issued warrants before funds were available instead of recording payables for these amounts.

Note 14 – Subsequent Event

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

Required Supplementary Information

Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2018

| | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|
| Total pension liability | | | | |
| Service cost | \$ 279,340 | \$ 281,738 | \$ 272,812 | \$ 275,489 |
| Interest | 1,007,897 | 1,001,016 | 990,702 | 967,203 |
| Differences between expected and actual experience | 213,923 | (435,633) | (201,357) | |
| Changes in Assumptions | | 346,263 | | |
| Benefit payments, including refunds of employee contributions | (732,140) | (711,800) | (1,154,661) | (743,233) |
| Transfers among employers | 24,665 | 21,007 | | |
| Net change in total pension liability | 793,685 | 502,591 | (92,504) | 499,459 |
| Total pension liability - beginning | 13,371,197 | 12,868,606 | 12,961,110 | 12,461,651 |
| Total pension liability - ending (a) | \$ 14,164,882 | \$ 13,371,197 | \$ 12,868,606 | \$ 12,961,110 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 264,766 | \$ 288,566 | \$ 261,564 | \$ 266,112 |
| Contributions - employee | 201,323 | 187,172 | 170,972 | 187,490 |
| Net investment income | 1,421,509 | 1,047,234 | 127,271 | 1,212,869 |
| Benefit payments, including refunds of employee contributions | (732,140) | (711,800) | (1,154,661) | (743,233) |
| Other (Transfers among employers) | 24,665 | 21,007 | (206,754) | 31,305 |
| Net change in plan fiduciary net position | 1,180,123 | 832,179 | (801,608) | 954,543 |
| Plan fiduciary net position - beginning | 11,222,704 | 10,390,525 | 11,192,133 | 10,237,590 |
| Plan fiduciary net position - ending (b) | \$ 12,402,827 | \$ 11,222,704 | \$ 10,390,525 | \$ 11,192,133 |
| Commission's net pension liability - ending (a) - (b) | \$ 1,762,055 | \$ 2,148,493 | \$ 2,478,081 | \$ 1,768,977 |
| Plan fiduciary net position as a percentage of the total pension liability | 87.56% | 83.93% | 80.74% | 86.35% |
| Covered payroll (*) | \$ 3,718,560 | \$ 3,623,605 | \$ 3,242,601 | \$ 3,295,402 |
| Commission's net pension liability as a percentage of covered payroll | 47.39% | 59.29% | 76.42% | 53.68% |

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

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

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2018

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution (*) | \$ 288,580 | \$ 264,766 | \$ 288,566 | \$ 261,564 | \$ 266,112 |
| Contributions in relation to the actuarially determined contribution (*) | \$ 288,580 | \$ 264,766 | \$ 288,566 | \$ 261,564 | \$ 266,112 |
| Contribution deficiency (excess) | \$ | \$ | \$ | \$ | \$ |
| Covered payroll (**) | \$ 3,941,125 | \$ 3,718,560 | \$ 3,623,605 | \$ 3,242,601 | \$ 3,295,402 |
| Contributions as a percentage of covered payroll | 7.32% | 7.12% | 7.96% | 8.07% | 8.08% |

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

(**) Employer's covered payroll for fiscal year 2018 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 27.1 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 3.00% |
| Salary increases | 3.75 - 7.25%, including inflation |
| Investment rate of return | 8.00%, net of pension plan investment expense, including inflation |

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---|---------------------|---------------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes | \$ 3,619,783.00 | \$ 3,619,783.00 | \$ 2,670,168.68 | \$ | \$ 2,670,168.68 |
| Licenses and Permits | 328,000.00 | 328,000.00 | 294,601.62 | | 294,601.62 |
| Intergovernmental | 451,508.00 | 451,508.00 | 384,599.29 | (1) 32,997.75 | 417,597.04 |
| Charges for Services | 779,380.00 | 779,380.00 | 692,928.32 | | 692,928.32 |
| Miscellaneous | 133,005.00 | 133,005.00 | 79,174.01 | | 79,174.01 |
| Total Revenues | <u>5,311,676.00</u> | <u>5,311,676.00</u> | <u>4,121,471.92</u> | <u>32,997.75</u> | <u>4,154,469.67</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 2,200,727.00 | 2,200,727.00 | 1,889,195.44 | | 1,889,195.44 |
| Public Safety | 2,671,129.00 | 2,671,129.00 | 2,508,469.69 | | 2,508,469.69 |
| Sanitation | 196,899.00 | 196,899.00 | 158,297.74 | | 158,297.74 |
| Health | 1,000.00 | 1,000.00 | | | |
| Welfare | 16,000.00 | 16,000.00 | 9,450.00 | | 9,450.00 |
| Culture and Recreation | 600.00 | 600.00 | 658.91 | (2) (75,475.68) | 76,134.59 |
| Education | 6,750.00 | 6,750.00 | 6,750.00 | | 6,750.00 |
| Capital Outlay | 44,239.00 | 44,239.00 | | | |
| Debt Service: | | | | | |
| Principal Retirement | 47,869.00 | 47,869.00 | | | |
| Total Expenditures | <u>5,185,213.00</u> | <u>5,185,213.00</u> | <u>4,572,821.78</u> | <u>(75,475.68)</u> | <u>4,648,297.46</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>126,463.00</u> | <u>126,463.00</u> | <u>(451,349.86)</u> | <u>(42,477.93)</u> | <u>(493,827.79)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | | | 49,900.22 | | 49,900.22 |
| Transfers Out | (126,463.00) | (126,463.00) | (218,262.96) | (3) 25,500.00 | (192,762.96) |
| Total Other Financing Sources (Uses) | <u>(126,463.00)</u> | <u>(126,463.00)</u> | <u>(168,362.74)</u> | <u>25,500.00</u> | <u>(142,862.74)</u> |
| Net Change in Fund Balances | | | (619,712.60) | (16,977.93) | (636,690.53) |
| Fund Balances - Beginning of Year | | | (2,888,352.37) | (4) (8,952.16) | (2,897,304.53) |
| Fund Balances - End of Year | <u>\$</u> | <u>\$</u> | <u>\$ (3,508,064.97)</u> | <u>\$ (25,930.09)</u> | <u>\$ (3,533,995.06)</u> |

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018***

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 | \$ | 32,997.75 |
| (2) Expenditures | | |
| Recreation Fund | | (75,475.68) |
| (3) Other Financing Sources/(Uses) Net | | |
| Recreation Fund | | <u>25,500.00</u> |
| Net Increase/(Decrease) in Fund Balance - Budget to GAAP | \$ | <u><u>(16,977.93)</u></u> |

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2018

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---|------------------|---------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes | \$ 235,000.00 | \$ 235,000.00 | \$ | \$ | \$ |
| Intergovernmental | 878,160.00 | 878,160.00 | 974,923.99 | (1) 1,592,510.48 | 2,567,434.47 |
| Charges for Services | 153,000.00 | 153,000.00 | 20.00 | | 20.00 |
| Miscellaneous | 571,025.00 | 571,025.00 | 16,890.32 | | 16,890.32 |
| Total Revenues | 1,837,185.00 | 1,837,185.00 | 991,834.31 | 1,592,510.48 | 2,584,344.79 |
| Expenditures | | | | | |
| Current: | | | | | |
| Highways and Roads | 2,150,313.00 | 2,150,313.00 | 1,135,415.90 | (2) (815,133.79) | 1,950,549.69 |
| Capital Outlay | 65,000.00 | 65,000.00 | 14,239.00 | | 14,239.00 |
| Debt Service: | | | | | |
| Principal Retirement | 50,010.00 | 50,010.00 | 54,474.51 | | 54,474.51 |
| Interest and Fiscal Charges | | | 8,125.77 | | 8,125.77 |
| Total Expenditures | 2,265,323.00 | 2,265,323.00 | 1,212,255.18 | (815,133.79) | 2,027,388.97 |
| Excess (Deficiency) of Revenues Over Expenditures | (428,138.00) | (428,138.00) | (220,420.87) | 777,376.69 | 556,955.82 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 428,138.00 | 428,138.00 | 493,489.11 | (265,000.00) | 228,489.11 |
| Transfers Out | | | (203,567.54) | (140,000.00) | (343,567.54) |
| Total Other Financing Sources (Uses) | 428,138.00 | 428,138.00 | 289,921.57 | (3) (405,000.00) | (115,078.43) |
| Net Change in Fund Balances | | | 69,500.70 | 372,376.69 | 441,877.39 |
| Fund Balances - Beginning of Year | | | (320,978.95) | (4) 107,890.45 | (213,088.50) |
| Fund Balances - End of Year | \$ | \$ | \$ (251,478.25) | \$ 480,267.14 | \$ 228,788.89 |

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2018***

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 | \$ 1,143,227.69 | |
| Severed Mineral Tax Fund | <u>449,282.79</u> | \$ 1,592,510.48 |
| (2) Expenditures | | |
| Public Highway and Traffic Fund | | (815,133.79) |
| (3) Other Financing Sources/(Uses) Net | | |
| Public Highway and Traffic Fund | | <u>(405,000.00)</u> |
| Net Increase/(Decrease) in Fund Balance - Budget to GAAP | | <u>\$ 372,376.69</u> |
| (4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because of the cumulative effect of transactions such as those described above. | | |

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Improvement Fund
For the Year Ended September 30, 2018

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---|------------------|---------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Intergovernmental | \$ 184,600.00 | \$ 184,600.00 | \$ 233,793.67 | \$ | \$ 233,793.67 |
| Miscellaneous | 1,040.00 | 1,040.00 | 18,234.75 | | 18,234.75 |
| Total Revenues | 185,640.00 | 185,640.00 | 252,028.42 | | 252,028.42 |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 170,640.00 | 170,640.00 | 79,236.37 | | 79,236.37 |
| Public Safety | 15,000.00 | 15,000.00 | 7,905.80 | | 7,905.80 |
| Debt Service: | | | | | |
| Principal Retirement | | | 47,869.02 | | 47,869.02 |
| Interest and Fiscal Charges | | | 6,144.96 | | 6,144.96 |
| Total Expenditures | 185,640.00 | 185,640.00 | 141,156.15 | | 141,156.15 |
| Excess (Deficiency) of Revenues Over Expenditures | | | 110,872.27 | | 110,872.27 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | | | 116,027.96 | | 116,027.96 |
| Total Other Financing Sources (Uses) | | | 116,027.96 | | 116,027.96 |
| Net Change in Fund Balances | | | 226,900.23 | | 226,900.23 |
| Fund Balances - Beginning of Year | | | 1,497,209.53 | | 1,497,209.53 |
| Fund Balances - End of Year | \$ | \$ | \$ 1,724,109.76 | \$ | \$ 1,724,109.76 |

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RRR Gasoline Tax Fund
For the Year Ended September 30, 2018***

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---|----------------------|----------------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Intergovernmental | \$ 685,000.00 | \$ 685,000.00 | \$ 760,218.73 | (1) \$ 237,696.37 | \$ 997,915.10 |
| Miscellaneous | 52,336.00 | 52,336.00 | | (1) 318.23 | 318.23 |
| Total Revenues | <u>737,336.00</u> | <u>737,336.00</u> | <u>760,218.73</u> | <u>238,014.60</u> | <u>998,233.33</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Highways and Roads | 396,336.00 | 396,336.00 | 1,017,413.48 | | 1,017,413.48 |
| Total Expenditures | <u>396,336.00</u> | <u>396,336.00</u> | <u>1,017,413.48</u> | | <u>1,017,413.48</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 341,000.00 | 341,000.00 | (257,194.75) | 238,014.60 | (19,180.15) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | | | 40,000.00 | | 40,000.00 |
| Total Other Financing Sources (Uses) | | | <u>40,000.00</u> | | <u>40,000.00</u> |
| Net Change in Fund Balances | 341,000.00 | 341,000.00 | (217,194.75) | 238,014.60 | 20,819.85 |
| Fund Balances - Beginning of Year | | | 242,902.77 | (2) | 242,902.77 |
| Fund Balances - End of Year | <u>\$ 341,000.00</u> | <u>\$ 341,000.00</u> | <u>\$ 25,708.02</u> | <u>\$ 238,014.60</u> | <u>\$ 263,722.62</u> |

Explanation of Budget to GAAP differences:

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

| | |
|--|----------------------|
| (1) Revenues | |
| Secondary Roads Fund | <u>\$ 238,014.60</u> |
| Net Increase/(Decrease) in Fund Balance - Budget to GAAP | <u>\$ 238,014.60</u> |

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2018

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---|------------------|---------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Intergovernmental | \$ 476,869.00 | \$ 476,869.00 | \$ 282,158.91 | \$ | \$ 282,158.91 |
| Miscellaneous | | | | | |
| Total Revenues | 476,869.00 | 476,869.00 | 282,158.91 | | 282,158.91 |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 476,869.00 | 476,869.00 | 282,158.91 | | 282,158.91 |
| Total Expenditures | 476,869.00 | 476,869.00 | 282,158.91 | | 282,158.91 |
| Excess (Deficiency) of Revenues Over Expenditures | | | | | |
| Net Change in Fund Balances | | | | | |
| Fund Balances - Beginning of Year | | | | | |
| Fund Balances - End of Year | \$ | \$ | \$ | \$ | \$ |

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Identifying Number | Total Federal Expenditures |
|---|------------------------------------|--|---|
| <u>U. S. Department of Agriculture</u> | | | |
| <u>Direct Program</u> | | | |
| Rural Rental Housing Loans | 10.415 | N.A. | \$ 36,500.00 |
| <u>Passed Through Alabama Department of Finance</u> | | | |
| Schools and Roads - Grants to States | 10.665 | N.A. | 23,794.48 |
| <u>U. S. Department of Homeland Security</u> | | | |
| <u>Passed Through Alabama Emergency Management Agency</u> | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4251-DR-AL | 787,115.14 |
| Emergency Management Performance Grants | 97.042 | N.A. | 30,625.00 |
| Total U. S. Department of Homeland Security | | | <u>817,740.14</u> |
| <u>Corporation for National and Community Service</u> | | | |
| <u>Direct Program</u> | | | |
| Retired and Senior Volunteer Program | 94.002 | N.A. | 54,709.84 |
| <u>Other Federal Assistance</u> | | | |
| <u>U. S. Department of Justice</u> | | | |
| <u>Direct Program</u> | | | |
| U. S. Marshals Service Overtime Reimbursement | N.A. | N.A. | <u>24,430.43</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 957,174.89</u> |

N.A. = Not Available or Not Applicable

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

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2018***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Macon County Commission under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Macon County Commission, it is not intended to and does not present the financial position or changes in net position of the Macon County Commission.

Note 2 – Summary of Significant Accounting Policies

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

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Additional Information

Commission Members and Administrative Personnel
October 1, 2017 through September 30, 2018

| <u>Commission Members</u> | | <u>Term Expires</u> |
|--|----------------------|----------------------------|
| Hon. Louis Maxwell | Chairman | November 2020 |
| Hon. Miles D. Robinson | Member | November 2020 |
| Hon. Edward Huffman | Member | November 2022 |
| Hon. Andrew D. Thompson, Jr. | Member | November 2020 |
| Hon. Robert M. Berry | Member | November 2022 |
| <u>Administrative Personnel</u> | | |
| Susan B. Thomas | County Administrator | Indefinite |

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Commission (the "Commission") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our qualified report thereon dated February 3, 2021. Our report is unmodified for the Gasoline Tax Fund, Capital Improvement Fund, and RRR Gasoline Tax Fund. We issued a qualified report for the Governmental Activities because the Commission did not record its Other Postemployment Benefit (OPEB) liability and related amounts. We also issued a qualified report for the Governmental Activities, General Fund, and Remaining Fund Information because Cash, Receivables and Payables were materially misstated. We also issued a qualified report for the Reappraisal Fund due to material misstatements to Cash and Interfund Receivables.

Internal Control Over Financial Reporting

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

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

***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***

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-007, 2018-008, 2018-009, and 2018-011 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-010 and 2018-012 to be significant deficiencies.

Compliance and Other Matters

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

The Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The 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 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

February 3, 2021

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Macon County Commission's (the "Commission") compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Commission's major federal programs for the year ended September 30, 2018. The Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.

Report on Internal Control Over Compliance

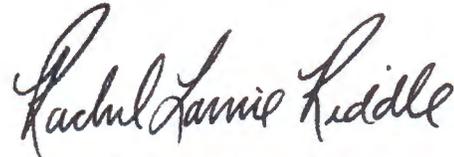
Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with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

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

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

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

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

February 3, 2021

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2018

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:

Opinion Unit:

| | |
|--|-------------------|
| Governmental Activities | <u>Qualified</u> |
| Governmental Fund – General Fund | <u>Qualified</u> |
| Governmental Fund – Gasoline Tax Fund | <u>Unmodified</u> |
| Governmental Fund – Capital Improvement Fund | <u>Unmodified</u> |
| Governmental Fund – RRR Gasoline Tax Fund | <u>Unmodified</u> |
| Governmental Fund – Reappraisal Fund | <u>Qualified</u> |
| Aggregate Remaining Fund Information | <u>Qualified</u> |

Internal control over financial reporting:

| | | |
|---|----------------|---------------------|
| Material weakness(es) identified? | <u> X </u> Yes | _____ No |
| Significant deficiency(ies) identified? | <u> X </u> Yes | _____ None reported |
| Noncompliance material to financial statements noted? | _____ Yes | <u> X </u> No |

Federal Awards

Internal control over major federal programs:

| | | |
|---|-----------|--------------------------|
| Material weakness(es) identified? | _____ Yes | <u> X </u> No |
| Significant deficiency(ies) identified? | _____ Yes | <u> X </u> None reported |

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

Unmodified

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

_____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section I – Summary of Examiner's Results

Identification of major federal programs:

| CFDA Number | Name of Federal Program or Cluster |
|--------------------|--|
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

_____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2018-007
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

Cash, Receivables and Payables recorded on the financial statements were materially misstated in the Governmental Activities, General Fund, and Aggregate Remaining Fund Information opinion units.

Finding

The *Code of Alabama 1975*, Sections 11-3-11(a)(3) and (4), give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Furthermore, the *Code of Alabama 1975*, Section 11-8-10, states the Commission shall not issue warrants until funds are available. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to accurately record cash, receivables and payables in the financial records. The Commission's current practice is to write checks in the accounting software and to hold the checks until money is available in the bank account before processing the checks rather than recording receivables and payables in the appropriate funds. The checks are sometimes held for months after they are written. This practice resulted in cash deficits being inaccurately recorded in some funds instead of recording payables, while cash and receivables were overstated in other funds. Therefore, the true representation of the financial activity of the Commission was not presented. As a result, cash and payables were understated by at least \$591,563.59 in the Governmental Activities and General Fund opinion units. Also, in the agency funds, cash was overstated by at least \$311,234.47, receivables were understated by at least \$808,588.57 and payables were understated by at least \$497,354.10.

Recommendation

The Commission should ensure Cash, Receivables and Payables are accurately recorded on the financial statements.

Views of Responsible Officials of the Auditee

The Commission agreed with the finding.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2018-008
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

The Commission failed to obtain an actuarial valuation in order to determine the effects of GASB Statement Number 75 relating to Other Postemployment Benefits.

Finding

The Governmental Accounting Standards Board (GASB) establishes financial reporting principles for State and Local Governments. GASB Statement Number 75 – ***Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*** established new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees and require the Commission to record an OPEB liability, which is required to be determined through an actuarial valuation. Each year, as part of the budget process, the Commission approves the amount that it will pay to provide life insurance for retirees; however, procedures were not in place to ensure an actuarial valuation was prepared as required by GASB Statement Number 75. Consequently, it was not possible to determine the amount that should have been reported as OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB on the Statement of Net Position for Governmental Activities at September 30, 2018. Also, the amounts by which revenues, expenses, and net position would be affected could not be determined.

Recommendation

Controls should be implemented to ensure an actuarial valuation for the Commission’s OPEB Plan is obtained and all related amounts are properly included in the financial statements.

Views of Responsible Officials of the Auditee

“I disagree with this finding, because this was the first year that we were told that it was required for us to do an actuarial valuation and have it included in our financial statements.”

Auditor’s Response

We appreciate the Commission’s response. However, preparation of the financial statements, including the implementation of Financial Reporting Requirements is the responsibility of management. We reaffirm our finding.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2018-009
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Findings: 2015-001

The Commission failed to record interfund activity resulting in a material misstatement of Cash and Interfund Receivables in the Reappraisal Fund.

Finding

Generally accepted accounting principles require all financial transactions of the Commission to be included on its financial statements. The Commission failed to properly record interfund activity between (a) the General Fund and Capital Improvement Fund, (b) the General Fund and the Reappraisal Fund, (c) the Gasoline Tax Fund and the Reappraisal Fund, and (d) the Reappraisal Fund and the Retired Senior Volunteer Program Fund. Due to a lack of management oversight, the interfund activity for the funds listed above was not recorded in the Commission's accounting records. As a result, the Interfund Receivables and Interfund Payables included on the financial statements of the Commission were misstated for the funds listed above. For the Reappraisal Fund, this omission constitutes a material misstatement of \$123,830.70.

This finding was originally reported in fiscal year 2015 as Finding 2015-001.

Recommendation

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

Views of Responsible Officials of the Auditee

The Commission agreed with the finding.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2018-010
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Findings: 2014-001

The Commission failed to maintain detailed listings to support amounts reported as payables in its Agency Funds.

Finding

Generally accepted accounting principles provide for the use of Agency Funds which are maintained by the Commission to report assets held by the Commission in a purely custodial capacity. Amounts held in these funds are payable to other parties. For the fiscal year ended September 30, 2018, there was no complete, detailed listing to support the amounts reflected in the Agency Funds as due to other parties. The Commission failed to maintain a complete, detailed listing of the amounts due to other parties in its Agency Funds resulting in money on hand of whom the rightful owner is unknown.

This finding was originally reported in fiscal year 2014 as Finding 2014-001.

Recommendation

The Commission should maintain lists, printouts or other supporting documentation to accurately support the payable balances of the Agency Funds.

Views of Responsible Officials of the Auditee

“Yes, I disagree.”

Auditor’s Response

We appreciate the Commission’s response. While a list of payables due to Agency funds was provided to support amounts shown as Receivables in the Agency Funds and a list of outstanding checks was provided, a complete, detailed listing of amounts reported as Payables was not provided to support the amount shown for this in the Agency Funds. We reaffirm our finding.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2018-011
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Findings: 2015-002

The Commission failed to establish internal controls to mitigate a lack of segregation of duties.

Finding

An adequate system of internal controls requires the proper segregation of duties. The County Administrator performs all bank reconciliations and records financial transactions into the accounting system. Receivables and interfund activity are recorded at the discretion of the County Administrator. All of these actions are performed without the review of any other Commission employee or official. Due to improper segregation of duties, entries into the Commission's accounting software may contain errors that are not prevented or detected and corrected on a timely basis. As a result, there is a reasonable possibility that material misstatements of the Commission's financial statements could occur.

This finding was originally reported in fiscal year 2015 as Finding 2015-002.

Recommendation

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

Views of Responsible Officials of the Auditee

The Commission agreed with the finding.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2018-012
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Findings: 2014-002

The Commission failed to reconcile retirement remittances to retirement expenses recorded in its financial statements.

Finding

Management of the Commission did not have proper procedures in place to reconcile remittances to the Retirement Systems of Alabama with the retirement expenses computed by the Commission's payroll program. For the fiscal year ended September 30, 2018, the Commission expensed more retirement than was remitted to the Retirement Systems of Alabama. Due to a lack of management oversight, differences between retirement remittances, as billed by the Retirement Systems of Alabama, and retirement expenses occurred which were not detected or corrected in a timely manner, resulting in an overstatement of expenses.

The finding was originally reported in fiscal year 2014 as Finding 2014-002.

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.

Views of Responsible Officials of the Auditee

The Commission agreed with the finding.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Summary Schedule of Prior Audit Findings



THE STATE OF ALABAMA

Macon County Commission

101 E Rosa Parks Avenue, Suite 106, Tuskegee, Alabama 36083
(334) 724-2555 • Fax: (334) 724-2543



Governing Body of Macon County
Louis Maxwell, Chairman

Commissioner Miles D. Robinson
District 1

Commissioner Edward Huffman
District 2

Commissioner Ernest T. Magruder
District 3

Commissioner Robert M. Berry
District 4

January 5, 2021

Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2017

As required by the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR 200.211, the Macon County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2017.

**Ref.
No.**

Finding/Noncompliance

2017-001 Finding:

Chapter 2 of Title 11 of the **Code of Alabama 1975**, requires each County Commissioner to obtain an official bond for the faithful performance of their duties. It also requires each bond to be filed in the office of the Probate Judge no later than the date the Commissioner takes office. There was a lapse in bond coverage for the Commission Chairman between November 12, 2016 through November 12, 2018, which includes the audit period being tested. The Commission did not have procedures in place to ensure the Commission Chairman was bonded as required. As a result, the Commission failed to comply with applicable laws regarding bond requirements for county officials.

Recommendation:

Commissioners should be bonded in accordance with Chapter 2 of Title 11 of the **Code of Alabama 1975**, and bonds should be filed in the office of the Probate Judge no later than the date the Commissioner takes office.

Response: Corrective Action:

Corrective action was taken. This was done around February, 2018, when the auditors were here for the FY, 2016 Audit and made us aware of it. This is a carryover from the prior fiscal year and has been corrected.

Responsible Person(s):

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

Contact: Louis Maxwell, Commission Chairman

2017-002 Finding:

Title 39 of the **Code of Alabama 1975**, commonly referred to as the Public Works Law, defines public works as the construction, installation, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, curbs gutters, side walls, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, installed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the for of lease payments or otherwise. It also requires advertisements and notices to be published, and the winning bidder to be bonded. During the fiscal year ended September 30, 2017, the Commission entered into a contract for bridge repair and a contract for road resurfacing. Based on documentation provided and a review of the Commission's minutes, these contracts were bid under the **Code of Alabama 1975**, Section 41-16-50 (the "Alabama Competitive Bid Law") requirements rather than the Public Works Law requirements. The Public Works Law requirements for advertisements, notices and bonds are more restrictive than those found in the Alabama Competitive Bid Law. The Commission could not provide documentation that the contracts were in compliance with the various legal compliance requirements of the Public Works Law, such as advertisements, notices and bonds. The Commission did not have procedures in place to ensure compliance with the Public Works Law. As a result, the Commission entered into public works contracts without adhering to the requirements of the Public Works Law.

Recommendation:

The Commission should comply with Title 39 of the **Code of Alabama 1975**, including the retention of supporting documentation.

Response: Corrective Action:

The Commission did follow the Alabama Competitive Bid Law, but the bids were not returned to the Purchasing Agent. The bids were with the County Engineer and he did not respond to the auditors or give the information requested. Corrective action was made in the February 10, 2020 Commission Meeting stating that the original bids should be given to the Purchasing Agent during the Commission Meeting, which they are being presented. Furthermore, we will ensure compliance with the Public Works Law requirements in future Public works contracts.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator (Purchasing Agent)
& J. D. Smith, County Engineer

Contact: Louis Maxwell, Commission Chairman

2017-003 Finding:

The Reappraisal Fund accounts for property taxes and other revenues required to be expended for the costs of the property reappraisal program. The Alabama Department of Revenue has promulgated rules and regulations regarding the expenditure of this money pursuant to the **Code of Alabama 1975**, Section 40-7-61. During the fiscal year ended September 30, 2017, the Commission transferred restricted money from the Reappraisal Fund to other funds for payroll-related obligations of the General Fund (\$241,336.90) and the Gasoline Tax Fund (\$73,157.19), none of which were for the property reappraisal program. The Commission failed to establish procedures to ensure Reappraisal Fund monies were only expended for the cost of the property reappraisal program. As a result, these uses were not for the property reappraisal program, and therefore, were not approved by the Alabama Department of Revenue resulting in noncompliance with requirements as prescribed in the **Code of Alabama 1975**, Section 40-7-61.

This finding was previously reported as finding numbers 2016-003 and 2016-004.

Recommendation:

The Commission should expend restricted money in the Reappraisal Fund only for the property reappraisal program as approved by the Alabama Department of Revenue in accordance with the **Code of Alabama 1975**, Section 40-7-61.

Response: Corrective Action:

Corrective Actions has been taken. Since the August 28, 2018 Exit Conference, we have not borrowed any monies from the Reappraisal Fund.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator

Contact: Louis Maxwell, Commission Chairman

2017-004 Finding:

The **Code of Alabama 1975**, Section 41-16-52 (c), provides all expenditures of funds of whatever nature for the leasing of heavy duty off-highway construction equipment involving a monthly rental of not more than five thousand dollars (\$5,000) per month per piece of equipment or machinery, but not to exceed fifteen thousand dollars (\$15,000) per month for all such pieces of equipment shall be made, at the option of the Commission, without having to solicit bids as required by the **Code of Alabama 1975**, Section 41-16-50. The Commission paid \$6,925.20 and \$5,336.00 monthly for the rental of an excavator and a dozer, respectively, during the 2017 fiscal year without soliciting bids. The Commission did not have procedures in place to ensure the monthly rental fee limits specified in the **Code of Alabama 1975**, Section 41-16-52 (c) were not exceeded. As a

result, since the monthly rental limit was exceeded, the equipment should have been bid in accordance with the **Code of Alabama 1975**, Section 41-16-50.

Recommendation:

The Commission should competitively bid all expenditure of funds of whatever nature for labor, services, work, or purchases of materials, equipment, supplies, or other personal property involving \$15,000 or more as required by the **Code of Alabama 1975**, Section 41-16-50, unless the expenditure meets the requirements set forth in the **Code of Alabama 1975**, Section 41-16-52(c).

Response: Corrective Action:

Corrective action has been taken. The Macon County Commission paid off the Leased Equipment on 01/31/2017 in the amount of \$103,444.23; Ck# 076167.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator/Purchasing Agent & J. D. Smith, County Engineer
Contact: Louis Maxwell, Commission Chairman

2017-005 Finding:

The **Code of Alabama 1975**, Section 45-44-20.02(b), requires the Commission to distribute \$40,000 per year of the proceeds from the county beverage tax to the Macon County Public Library. During the 2017 fiscal year, the Commission only distributed \$27,410.87 to the Macon County Public Library. The Commission failed to establish procedures to ensure the correct amount of county beverage taxes paid to the Macon County Library. As a result, the Commission did not pay the Macon County Public Library the proper amount of county beverage tax as required by law.

This finding was previously reported as finding number 2016-007.

Recommendation:

The Commission should distribute \$40,000 each year to the Macon County Public Library as required by the **Code of Alabama 1975**, Section 45-44-20.02(b).

Response: Corrective Action:

This matter was taken care of immediately after the Exit Conference on August 28, 2018 for FY, 2016. Therefore, this is a carryover and FY, 2018 was corrected.

Responsible Person(s):

Corrective Action: Gertrude Benjamin, Personnel Director/Treasurer
& Susan B. Thomas, County Administrator
Contact: Louis Maxwell, Commission Chairman

2017-006 Finding:

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. For the fiscal year ended September 30, 2017, there was no complete, detailed listing to support the amounts reflected in the Agency Funds as due to other parties. The Commission failed to maintain a complete, detailed listing of the payables to support the amount recorded in its Agency Funds, resulting in funds on hand of whom the rightful owner is unknown.

This finding was previously reported as finding number 2014-001.

Recommendation:

The Commission should maintain list, printouts or other supporting documentation to accurately support the payable balances of the Agency Funds.

Response: Corrective Action:

There was a list of payables due to the Agency Funds on an excel Spread Sheet, as well as a copy of the Outstanding Check List for the Payroll Fund Account, as of September 30, 2017. Also, the Auditors were shown the Payroll Spreads for each pay period that covered those periods from our software system.

The lists for the payables in the Agency Funds did not match the financial statements, but these funds were reconciled and adjusted as of September 30, 2019. The adjustments were made during the Month-End-Close-Out for March, 2020.

Responsible Person(s):

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

Contact: Louis Maxwell, Commission Chairman

2017-007 Finding:

The **Code of Alabama 1975**, Section 11-29-6, the legal authority for the Capital Improvement Fund, restricts money in this fund to only be used to assist in the restoration and improvement of county government buildings, bridges, roads, street, and other facilities, and to promote the health, safety, and public welfare of the citizens of the State. During testing, the following issues were noted:

*The Commission made loans from the Capital Improvement Fund to the General Fund during fiscal year 2017. The Commission was unable to provide documentation that expenditures made by the General Fund were in accordance with the **Code of Alabama 1975**, Section 11-29-6. At September 30, 2017, the General Fund owed the Capital Improvement Fund \$1,221,175.00 as recorded on the financial statements.

*The Commission entered into a capital lease on December 28, 2016, in the amount of \$239,345.00 for the lease purchase of Sheriff's Department vehicles. This lease is being accounted for and lease payments are being paid from the Capital Improvement Fund which does not appear to be an allowable use of the Capital Improvement Fund.

The Commission did not have procedures in place to ensure the restricted money included in the Capital Improvement fund was spent for allowable purposes resulting in noncompliance with the **Code of Alabama 1975**, Section 11-29-6.

This finding was previously reported as finding number 2013-008.

Recommendation:

The Commission should expend restricted money in the Capital Improvement Fund in accordance with Code of Alabama 1975, Section 11-29-6.

Response: Corrective Action:

The Commission has a plan to pay off the loan from the Capital Improvement Fund at least \$50,000.00 per fiscal year, until the balance owed is paid off, beginning October 1, 2020.

During the FY, 2020, the Commission paid the lease purchase payment for the Sheriff Department's vehicles from the General Fund Account, also Journal Entries were done to show the last (3) three years recorded as Due To/From in the amount of \$162,041.94.

Responsible Person(s):

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

2017-008 Finding:

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. For fiscal year 2017, the Commission did not take existing deficit fund balances into account when preparing the budget for the 2017 fiscal year. The Commission did not have policies and procedures in place to ensure compliance with this legal requirement. As a result, the Commission approved a budget in which budget appropriations exceeded estimated total revenues available.

This finding was previously reported as finding number 2008-003.

Recommendation:

The Commission should budget appropriations within the estimated total revenues available for appropriations in accordance with the **Code of Alabama 1975**, Section 11-8-3.

Response: Corrective Action:

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 and Gasoline Fund. It has been a struggle trying to pay the employees and vendors since the close of Victory Land in the fall of 2009. As of March 1, 2020, the Macon County Commission will make an extra concerted effort to not borrow any more money from the Capital Improvement Fund and will continue to repay at least \$50,000.00 or more each fiscal year. This will not show a savings before the end of the fiscal year, but will make a substantial difference for the next fiscal year.

Responsible Person(s):

Corrective Action: Susan B. Thomas, County Administrator, Chairman Louis Maxwell, Comm. Miles D. Robinson, Comm. Edward Huffman, Comm. Andrew D. Thompson, Jr. and Comm. Robert M. Berry
Contact: Louis Maxwell, Commission Chairman

2017-009 Finding:

The **Code of Alabama 1975**, Section 11-8-10, states the Commission shall not issue warrants until funds are available. The Commission did not have policies and procedures in place to ensure compliance with this legal requirement. During fiscal year 2017, the Commission issued warrants in the accounting software without funds available resulting in deficit fund balances at September 30, 2017, of the following funds listed below:

| Fund | Deficit Fund Balance |
|--------------------------|-----------------------------|
| General Fund | \$2,897,304.53 |
| Gasoline Tax Fund | \$ 213,088.50 |

This Finding was previously reported as finding number 2007-001.

Recommendation:

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

Response: Corrective Action:

Warrants are not sent out until funds are available. The Macon County Commission has a plan to pay off the deficit fund balances in the general Fund and Gasoline Tax Fund over the next five years, Starting October 1, 2020.

Responsible Person(s):

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

2017-010 Finding:

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

*The Capital Improvement Fund paid a portion of the General Fund's obligation for various payrolls during the fiscal year ended September 30, 2017. Due to the lack of internal controls over financial reporting, these interfund transactions between the Payroll Fund and the Capital Improvement Fund in the amount of \$241,300.00 were not recorded in the Commission's accounting software. These amounts were not repaid by the General Fund to the Capital Improvement Fund before the fiscal year ended. This resulted in interfund payables being overstated in the General Fund and interfund receivables being understated and ending fund balance being understated in the Capital Improvement Fund.

*The Reappraisal Fund paid a portion of the General Fund's obligation for various payrolls and insurance premiums during the fiscal year ended September 30, 2017. Due to the lack of internal controls over financial reporting, these interfund transactions between the General Fund and the Reappraisal Fund in the amount of \$241,336.90 were not recorded in the Commission's accounting software. These amounts were not repaid by the General Fund to the Reappraisal Fund before the fiscal year ended. This resulted in interfund payables being understated and the ending fund balance being overstated in the General Fund and interfund receivables being understated and ending fund balance being understated in the Reappraisal Fund.

*The Reappraisal Fund paid a portion of the Gasoline Tax Fund's obligation for various payrolls during the fiscal year ended September 30, 2017. Due to the lack of internal controls over financial reporting, these interfund transactions between the Gasoline Tax Fund and the Reappraisal Fund in the amount of \$73,157.19 were not recorded in the Commission's accounting software. These amounts were repaid by the Gasoline to the Reappraisal Fund before the fiscal year ended.

*During the fiscal year ended September 30, 2017, the Capital Improvement Fund received transfers of \$170,000.00 from the General Fund for repayment of previous loans. Due to the lack of internal controls over financial reporting, these interfund transactions between the General Fund and the Capital Improvement Fund were not recorded in the Commission's accounting software.

*In August, 2017, the Retired Senior Volunteer Program (RSVP) Fund made a transfer to the Reappraisal Fund in the amount of \$3,192.55 for repayment of a previous loan. Due to the lack of internal controls over financial reporting, this transaction between the RSVP Fund and the Reappraisal Fund was not recorded in the Commission's accounting software.

This finding was previously reported as finding number 2015-001.

Recommendation:

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

Response: Corrective Action:

Corrective action was taken after the Exit Conference on August 28, 2018. We started making sure that all transfers were posted to the Commission's accounting software and have not borrowed any monies from the Reappraisal Fund since.

Responsible Person(s):

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

2017-011 Finding:

An adequate system of internal controls requires the proper segregation of duties. The County Administrator performs all bank reconciliations and records financial transactions into the accounting system. Receivables and Interfund Receivables and Payables are recorded at the discretion of the County Administrator. All of the actions are performed with the review of any other Commission employee. Due to improper segregation of duties, entries into the Commission's accounting software may contain errors that are not prevented or detected and corrected on a timely basis. As a result, there is a reasonable possibility that material misstatements of the Commission's financial statements could occur.

This finding was previously reported as finding number 2015-002.

Recommendation:

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

Views of Responsible Officials:

The Commission agreed with the finding.

Response: Corrective Action:

This is true, but due to our finances, we were not able to replace our Accounts Payable Clerk until August 11, 2020. This position had been vacant since early November, 2019. Due to our finances and that employee retiring, the Commission was trying to save money by not replacing that position. As of February 20, 2020, Chairman Louis Maxwell has been signing off on the Bank Reconciliations and Month-End-Close-Out each month after they have been completed.

Responsible Person(s):

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

Contact: Louis Maxwell, Commission Chairman

2017-012 Finding:

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, 2017, the Commission expensed less employer retirement than was remitted to the Retirement System of Alabama. Due to the lack of adequate internal controls, differences between retirement remittances and retirement expenses occurred which were not deducted in a timely manner, resulting in an understatement of expenses.

This finding was previously reported as finding number 2014-002.

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.

Response: Corrective Action:

Corrective action was taken. As of our August 28, 2018 Exit Conference, we immediately stopped adding additional amounts to the employer contribution for each Retiree each month, as stated in the previous FY, 2016 Auditee Response.

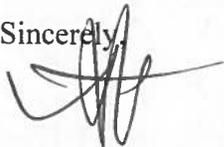
Responsible Person(s):

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

Contact: Louis Maxwell, Commission Chairman

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

Sincerely,



Louis Maxwell, Chairman
Macon County Commission

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Auditee Response/Corrective Action Plan



THE STATE OF ALABAMA

Macon County Commission

101 E Rosa Parks Avenue, Suite 106, Tuskegee, Alabama 36083
(334) 724-2555 • Fax: (334) 724-2543



Governing Body of Macon County
Louis Maxwell, Chairman

Commissioner Miles D. Robinson
District 1

Commissioner Edward Huffman
District 2

Commissioner Ernest T. Magruder
District 3

Commissioner Robert M. Berry
District 4

March 22, 2021

Auditee Response/Corrective Action Plan

For the Year Ended September 30, 2018

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the Macon County Commission has prepared and hereby submits the following Corrective Action Plan for the findings which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2018.

Finding

Ref.

No.

Corrective Action Plan Details

2018-007

Finding:

The *Code of Alabama 1975*, Sections 11-3-11(a)(3) and (4) give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Furthermore, the *Code of Alabama 1975*, Section 11-8-10, states the Commission shall not issue warrants until funds are available. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to accurately record cash, receivables and payables in the financial records. The Commission's current practice is to write checks in the accounting software but not process the checks until money is available to clear the bank account, sometimes months after the checks are written, instead of recording receivables and payables. This practice resulted in inaccurately recording cash deficits in some funds instead of recording payables, while also overstating cash and receivables in other funds; therefore, not presenting a true representation of the financial activity of the Commission. As a result, cash and payables were understated by at least \$591,563.59 in the Governmental Activities and General Fund opinion units. Also, in the agency funds, cash was overstated by at least \$311,234.47, receivables were understated by at least \$808,588.57 and payables were understated by at least \$497,354.10.

Recommendation:

The Commission should ensure reconciling amounts included on monthly bank reconciliations are resolved in a timely manner and that checks are not drawn on accounts until funds are available.

Response/Views: Yes, we agree with this finding.

Corrective Action Planned: The Commission will ensure that reconciling amounts included on the monthly bank reconciliations are resolved in a timely manner and that checks are not drawn on accounts until funds are available.

Anticipated Completion Date: October 1, 2020.

Contact Person(s): Susan B. Thomas, County Administrator & Chairman Louis Maxwell

2018-008

Finding:

The Governmental Accounting Standards Board (GASB) establishes financial reporting principles for State and Local Governments. GASB Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions established new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees and require the Commission to record an OPEB liability, which is required to be determined through an actuarial valuation. Each year, as part of the budget process, the Commission approves the amount that it will pay to provide life insurance for retirees; however, procedures were not in place to ensure an actuarial valuation was prepared as required by GASB Statement Number 75. Consequently, it was not possible to determine the amount that should have been reported as OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB on the Statement of Net Position for Governmental Activities at September 30, 2018. Also, the amounts by which revenues, expenses, and net position would be affected could not be determined.

Recommendation:

Controls should be implemented to ensure an actuarial valuation for the Commission's OPEB Plan is obtained and all related amounts are properly included in the financial statements.

Response/Views: I disagree with this finding, because this was the first year that we were told that it was required for us to do an actuarial valuation and have it included in our financial statements.

Corrective Action Planned: We recently talked with a company about doing the study on the Life Insurance package that the Macon County Commission has for its Retirees'. We are also in the process of gathering the information for the Company. We will have the OPEB plan properly included in the financial statements for the 2019 audit.

Anticipated Completion Date: April 1, 2021.

Contact Person(s): Gertrude Benjamin, Personnel Director, Susan B. Thomas, County Administrator and Chairman Louis Maxwell

2018-009

Finding:

Generally accepted accounting principles require all financial transactions of the Commission to be included on its financial statements. The Commission failed to properly record interfund activity between (a) the General Fund and Capital Improvement Fund, (b) the General Fund and

the Reappraisal Fund, (c) the Gasoline Tax Fund and the Reappraisal Fund, and (d) the Reappraisal Fund and the Retired Senior Volunteer Program Fund. Due to a lack of management oversight, the interfund activity for the funds listed above was not recorded in the Commission's accounting records. As a result, the Interfund Receivables and Interfund Payables included on the financial statements of the Commission were misstated for the funds listed above. For the Reappraisal Fund, this omission constitutes a material misstatement of \$123,830.70.

This finding was originally reported in fiscal year 2015 as Finding 2015-001.

Recommendation:

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

Response/Views: We agree with the finding.

Corrective Action Planned: Corrective action was taken after the Exit Conference on August 28, 2018. We started making sure that all transfers were posted to the Commission's accounting software and have not borrowed any monies from the Reappraisal Fund since.

Reason for the Recurrence: This finding was brought forward, because the Corrective Plan was not set until after the Exit Conference on August 28, 2018, which was for the 2016 Audit.

Anticipated Completion Date: October 01, 2018.

Contact Person(s): Susan B. Thomas, County Administrator and Chairman Louis Maxwell.

2018-010

Finding:

Generally accepted accounting principles provide for the use of Agency Funds which are maintained by the Commission to report assets held by the Commission in a purely custodial capacity. Amounts held in these funds are payable to other parties. For the fiscal year ended September 30, 2018, there was no complete, detailed listing to support the amounts reflected in the Agency Funds as due to other parties. The Commission failed to maintain a complete, detailed listing of the amounts due to other parties in its Agency Funds resulting in money on hand of whom the rightful owner is unknown.

This finding was originally reported in fiscal year 2014 as Finding 2014-001.

Recommendation:

The Commission should maintain lists, printouts or other supporting documentation to accurately support the payable balances of the Agency Funds.

Response/Views: Yes, I disagree.

Corrective Action Planned: The Deposits in Transit on the Agency Funds are being paid as the money becomes available. I am still preparing a list of payables due to the Agency Funds on an excel Spread Sheet, as well as a copy of the Outstanding Check List on the Payroll Fund Account, as of September 30, 2018. As always, the Auditors were shown the Outstanding Accounts Receivable Lists for the Agency Funds and Payroll Spreads for each pay period that

covered those pay periods from our software system. The (3) three agency funds are Workmen's Comp., Group Insurance Fund and the Retirement Fund that I have a spreadsheet for each fund and supporting documentation to support the payable balances of the Agency Funds.

Reason for the Recurrence: *We always pay the Workmen's Comp. bill once a year in October. The Group Insurance Fund pays BC/Bs and Lincoln Life Ins. Company every month. The Retirement Fund pays the Retirement Systems of Alabama, the Judicial Fund and the Deferred Compensation. These are the only other parties paid from these three Agency Funds. As I stated earlier, a list was prepared for each Agency Fund as of September 30th.*

Anticipated Completion Date: *October 1, 2019.*

Contact Person(s): *Susan B. Thomas, County Administrator & Chairman Louis Maxwell*

2018-011

Finding:

An adequate system of internal controls requires the proper segregation of duties. The County Administrator performs all bank reconciliations and records financial transactions into the accounting system. Receivables and interfund activity are recorded at the discretion of the County Administrator. All of these actions are performed without the review of any other Commission employee or official. Due to improper segregation of duties, entries into the Commission's accounting software may contain errors that are not prevented or detected and corrected on a timely basis. As a result, there is a reasonable possibility that material misstatements of the Commission's financial statements could occur.

This finding was originally reported in fiscal year 2015 as Finding 2015-002.

Recommendation:

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

Response/Views: *I agree with the finding.*

Corrective Action Planned: As of February 20, 2020, Chairman Louis Maxwell has been signing off on the Bank Reconciliations and the Month-End-Close-Out each month after they have been completed.

Reason for the Recurrence: *We have not hired replacements in the Accounts Payable and Accounting Clerk positions in a timely fashion, in the last six years. We have had two people to retire from the Accounts Payable position, afterwards the position is left vacant anywhere from five to nine months. Therefore, the County Administrator has to do the work until someone is hired. Afterwards, the County Administrator also has to train whomever the new person is hired.*

Anticipated Completion Date: *February 20, 2020.*

Contact Person(s): *Susan B. Thomas, County Administrator and Chairman Louis Maxwell*

2018-012

Finding:

Management of the Commission did not have proper procedures in place to reconcile remittances to the Retirement Systems of Alabama with the retirement expenses computed by the Commission's payroll program. For the fiscal year ended September 30, 2018, the Commission expensed more retirement than was remitted to the Retirement Systems of Alabama. Due to a lack of management oversight, differences between retirement remittances, as billed by the Retirement Systems of Alabama, and retirement expenses occurred which were not detected or corrected in a timely manner, resulting in an overstatement of expenses.

The finding was originally reported in fiscal year 2014 as Finding 2014-002.

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.

Response/Views: I agree.

Corrective Action Planned: Corrective action has been taken. On August 28, 2018 at our Exit Conference, we immediately stopped adding additional amounts to the employer contribution in our software system for each Retiree each month, as stated in the previous FY, 2016 and FY, 2017 Auditee Responses.

Reason for the Recurrence: *This finding is brought forward, because it is a carryover from the fiscal year. We were trying to transfer extra money into the Retirement Fund in order to pay for the upcoming Cost of Living Increase for the Retirees, but since has been stopped.*

Anticipated Completion Date: *October 1, 2020.*

Contact Person(s): *Gertrude Benjamin, Personnel Director, Susan B. Thomas, County Administrator and Chairman Louis Maxwell.*

Other matters came to our attention while performing our audit that are not included in the Schedule of Findings and Questioned Costs. These matters will be addressed in the Schedule of State and Local Compliance and Other findings and are included as findings below.

**Finding
Ref.
No.**

Corrective Action Plan Details

2018-001

Finding:

The *Code of Alabama 1975*, Section 11-8-10, states the Commission shall not issue warrants until funds are available. During fiscal year 2018, the Commission issued warrants in the accounting software without funds available resulting in a General Fund reconciled cash deficit of \$1,561,196.39 as well as a deficit fund balance of \$3,533,995.06 at September 30, 2018. The Commission did not have policies and procedures in place to ensure compliance with this legal

requirement. As a result, the Commission ended the fiscal year with a deficit cash balance and a deficit fund balance in its General Fund.

This finding was originally reported in fiscal year 2007 as Finding 2007-001.

Recommendation:

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

Response/Views: We agree with this finding.

Corrective Action Planned: The Macon County Commission has a plan to pay off the deficit fund balance in the General Fund over the next five years, effective with 2021 budget.

Reason for the Recurrence: Please refer back to the response for 2018-004.

Anticipated Completion Date: September 30, 2025.

Contact Person(s): Susan B. Thomas, County Administrator and Chairman Louis Maxwell

2018-002

Finding:

The Reappraisal Fund accounts for property taxes and other revenues required to be expended for the costs of the property reappraisal program. The Alabama Department of Revenue has promulgated rules and regulations regarding the expenditure of this money pursuant to the *Code of Alabama 1975*, Section 40-7-61. During the fiscal year ended September 30, 2018, the Commission transferred restricted money from the Reappraisal Fund to other funds for payroll-related obligations of the General Fund (\$127,377.39) and the Gasoline Tax Fund (\$87,436.84), none of which were for the property reappraisal program. The Commission failed to establish procedures to ensure Reappraisal Fund monies were only expended for the cost of the property reappraisal program. As a result, these uses were not for the property reappraisal program, and therefore, were not approved by the Alabama Department of Revenue resulting in noncompliance with requirements as prescribed in the *Code of Alabama 1975*, Section 40-7-61.

This finding was originally reported in fiscal year 2016 as Findings 2016-004 and 2016-003.

Recommendation:

The Commission should expend restricted money in the Reappraisal Fund only for the property reappraisal program as approved by the Alabama Department of Revenue in accordance with the *Code of Alabama 1975*, Section 40-7-61.

Response/Views: I agree with this finding.

Corrective Action Planned: The Commission has not borrowed any monies from the Reappraisal since. Therefore, the Reappraisal Funds are only being spent for Reappraisal expenses.

Reason for the Recurrence: At the time, the Commission did not have any other avenues for meeting the county payroll or paying the Health Insurance Premium, due to our finances.

Anticipated Completion Date: October 31, 2018.

Contact Person(s): Susan B. Thomas, County Administrator & Chairman Louis Maxwell.

2018-003

Finding:

The *Code of Alabama 1975*, Section 11-29-6, the legal authority for the Capital Improvement Fund, restricts money in this fund to only 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. During testing, the following issues were noted:

- The Commission made loans from the Capital Improvement Fund to the General Fund during fiscal year 2018. The Commission was unable to provide documentation that expenditures made by the General Fund were in accordance with the *Code of Alabama 1975*, Section 11-29-6.
- The Commission entered into a capital lease on December 28, 2016, in the amount of \$239,345.00 for the lease purchase of Sheriff's Department vehicles. Payments for this capital lease are being paid from the Capital Improvement Fund which does not appear to be an allowable use of the Capital Improvement Fund.

At September 30, 2018, the General Fund owed the Capital Improvement Fund \$1,661,393.96 for unallowable or undocumented uses of restricted money, an increase of \$440,218.96 over the previous fiscal year. The Commission did not have procedures in place to ensure the restricted money included in the Capital Improvement Fund was spent for allowable purposes resulting in noncompliance with the *Code of Alabama 1975*, Section 11-29-6.

This finding was originally reported in fiscal year 2013 as Finding 2013-008.

Recommendation:

The Commission should expend restricted money in the Capital Improvement Fund in accordance with the *Code of Alabama 1975*, Section 11-29-6.

Response/Views: Yes, I agree with the finding.

Corrective Action Planned: As of March 1, 2020, the Macon County Commission has made a concerted effort to not borrow any more money from the Capital Improvement Fund.

Corrective Action Planned: The Commission plans to continue to repay at least \$50,000.00 or more each fiscal year, until the balance owed is paid off. I know that this is a slow process, but we are working on paying the money owed to the Capital Improvement Fund. Also, Journal Entries have been done to show the last (3) years payment for the lease purchase payment on the Sheriff's vehicles. We set up a Due to the Capital Improvements Fund and Due from the General Fund journal entry in the amount of \$162,041.94 for fiscal year ending 2020.

Reason for the Recurrence: It has been a struggle trying to pay the County employees and our vendors since the close of Victory Land in the fall of 2009. At the time of paying for the (6)

Sheriff's vehicle's, we actually thought that it was an allowable expenditure, but since have paid the 4th Annual payment from the General Fund Account and will not borrow from this fund again.

Anticipated Completion Date: October 1, 2020.

Contact Person(s): Susan B. Thomas, County Administrator and Chairman Louis Maxwell.

2018-004

Finding:

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 did not take existing deficit fund balances into account when preparing the budget for the 2018 fiscal year. The Commission did not have policies and procedures in place to ensure compliance with this legal requirement. As a result, the Commission approved a budget in which budget appropriations exceeded estimated total revenues available.

This finding was originally reported in fiscal year 2008 as Finding 2008-003.

Recommendation:

The Commission should budget appropriations within the estimated total revenues available for appropriations in accordance with the *Code of Alabama 1975*, Section 11-8-3.

Response/Views: We agree with the finding.

Corrective Action Planned: 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 and Gasoline Fund. It has been a struggle trying to pay the County employees, fringe benefits and vendors since the close of Victory Land in 2009.

Reason for the Recurrence: The Commission was trying to approve a balanced budget.

Anticipated Completion Date: September 30, 2020.

Contact Person(s): Susan B. Thomas, County Administrator, Chairman Louis Maxwell, Comm. Miles D. Robinson, Comm. Edward Huffman, Comm. Andrew D. Thompson and Comm. Robert M. Berry.

2018-005

Finding:

Chapter 2 of Title 11 of the *Code of Alabama 1975* requires each County Commissioner to obtain an official bond for the faithful performance of their duties. It also requires each bond to be filed in the office of the Probate Judge no later than the date the Commissioner takes office. There was a lapse in bond coverage for the Commission Chairman between November 12, 2016 through November 12, 2018, which includes the audit period being tested. The Commission did not have procedures in place to ensure the Commission Chairman was bonded as required. As a result, the Commission failed to comply with applicable laws regarding bond requirements for county officials.

This finding was previously reported in fiscal year 2017 as Finding 2017-001.

Recommendation:

Commissioners should be bonded in accordance with Chapter 2 of Title 11 of the *Code of Alabama 1975*, and bonds should be filed in the office of the Probate Judge no later than the date the Commissioner takes office.

Response/Views: Yes, we agree.

Corrective Action Planned: Corrective action has been taken once it was brought to our attention.

Reason for the Recurrence: This was something that the Central Staff was not aware of. Our Accounts Payable Clerk is usually the one to take care of this task. However, we have had a big turnover in this position due to persons retiring and not filling the position for five to nine months. This is a carryover from the FY, 2016 Audit, not a recurring incident.

Anticipated Completion Date: February, 2019, after it was brought to our attention by the Auditors.

Contact Person(s): Annie Watts, Prior Accounts Payable Clerk, Susan B. Thomas, County Administrator and Chairman Louis Maxwell.

2018-006

Finding:

Title 39 of the *Code of Alabama 1975*, commonly referred to as the Public Works Law, defines public works as the construction, installation, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, curbs, gutters, side walls, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, installed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the form of lease payments or otherwise. It also requires advertisements and notices to be published, and the winning bidder to be bonded. During the fiscal year ended September 30, 2018, the Commission entered into a contract for road resurfacing. Based on documentation provided and a review of the Commission's minutes, this contract was bid under the *Code of Alabama 1975*, Section 41-16-50 (the "Alabama Competitive Bid Law") requirements rather than the Public Works Law requirements. The Public Works Law requirements for advertisements, notices and bonds are more restrictive than those found in the Alabama Competitive Bid Law. The Commission could not provide documentation that the contract was in compliance with the various legal compliance requirements of the Public Works Law, such as advertisements, notices and bonds.

The Commission did not have procedures in place to ensure compliance with the Public Works Law. As a result, the Commission entered into a public works contract without adhering to the requirements of the Public Works Law.

This finding was originally reported in fiscal year 2017 as Finding 2017-002.

Recommendation:

The Commission should comply with Title 39 of the *Code of Alabama 1975*, including the retention of supporting documentation.

Response/Views: I agree with the finding.

Corrective Action Planned: Corrective action was made in the February 10, 2020 Commission Meeting, stating that the original bids should be given to the Purchasing Agent during the Commission Meeting, which they are presented. Furthermore, we will ensure compliance with the Public Works Law requirements in future Public Works Contracts.

Reason for the Recurrence: Bids were not always returned to the Purchasing Agent after the County Engineer viewed the bids.

Anticipated Completion Date: February 10, 2020 Commission Meeting.

Contact Person(s): Susan B. Thomas, County Administrator/Purchasing Agent, J.D. Smith, County Engineering, Chairman Louis Maxwell, Comm. Miles D. Robinson, Comm. Edward Huffman, Comm. Andrew D. Thompson and Comm. Robert M. Berry.



Louis Maxwell, Chairman
Macon County Commission