Report on the

Lawrence County Commission

Lawrence County, Alabama

October 1, 2015 through September 30, 2016

Filed: June 5, 2020

Department of Examiners of Public Accounts
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner

20-137

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

An audit was conducted on the Lawrence County Commission, Lawrence County, Alabama, for the period October 1, 2015 through September 30, 2016. 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 and findings of the audit.

Respectfully submitted,

Isabelle Lisenby
Examiner of Public Accounts

rb

20-137

Table of Contents

		Page
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		C
Contains detailed information about findings pertaining to state and local legal compliance and other findings.		
Independent Auditor's Report		E
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).		
Basic Financial Statements		1
Provides the minimum combination of financial statement and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.		
Exhibit #1	Statement of Net Position	2
Exhibit #2	Statement of Activities	4
Exhibit #3	Balance Sheet – Governmental Funds	6
Exhibit #4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Exhibit #5	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Exhibit #6	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Exhibit #7	Statement of Net Position – Proprietary Fund	12
Exhibit #8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	14

Table of Contents

		Page
Exhibit #9	Statement of Cash Flows – Proprietary Fund	15
Exhibit #10	Statement of Fiduciary Net Position	17
Exhibit #11	Statement of Changes in Fiduciary Net Position	18
Notes to the Financial Statements		19
Required Supplementary Information		49
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 #12	Schedule of Changes in the Net Pension Liability	50
Exhibit #13	Schedule of the Employer's Contributions	51
Exhibit #14	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	52
Exhibit #15	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund	56
Exhibit #16	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund	60
Exhibit #17	Schedule of Funding Progress – Other Postemployment Benefits	62
Supplementary Information		63
Contains financial information and notes relative to federal financial assistance.		
Exhibit #18	Schedule of Expenditures of Federal Awards	64
Notes to the Schedule of Expenditures of Federal Awards		68

Table of Contents

		Page
Additional Information		69
	Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*) for federal compliance audits.	
Exhibit #19	**Commission Members and Administrative Personnel** – a listing of the Commission members and administrative personnel.	70
Exhibit #20	**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 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.	71
Exhibit #21	**Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the *Uniform Guidance*** – 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.	73
Exhibit #22	**Schedule of Findings and Questioned Costs** – a schedule summarizing the results of audit findings relating to the financial statements as required by ***Government Auditing Standards*** and findings and questioned costs for federal awards as required by the *Uniform Guidance*.	76
Exhibit #23	**Auditee Response/Corrective Action Plan** – a response by the Commission on the results of the audit and a corrective action plan for federal audit findings.	79

Department of
Examiners of Public Accounts

SUMMARY

Lawrence County Commission
October 1, 2015 through September 30, 2016

The Lawrence County Commission (the "Commission") is governed by a five-member body elected by the citizens of Lawrence County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 19. 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 Lawrence County.

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

An unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2016.

Instances of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and they are summarized below:

CURRENT FINDINGS

- 2016-001 relates to the Commission's failure to properly report payments made to employees for travel as supplemental wages to the IRS.

- 2016-002 relates to the Commission's failure to properly calculate and distribute TVA-in-Lieu-of-Tax payments.

Problems were found with the Commission's internal controls over financial reporting (Exhibit 22) and they are summarized below:

- 2016-003 relates to the Commission's failure to retain proper documentation for all expenditures.

- 2016-004 relates to the Commission's failure to reconcile all bank accounts in a timely manner.

Commission members and administrative personnel, as reflected on Exhibit 19, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Heather Dyar, Administrator; and Commissioners: Norman Pool, Bobby Burch and Bradley Cross. Also in attendance were representatives from the Department of Examiners of Public Accounts: Denise H. Olive, Audit Manager; and Isabelle Lisenby, Examiner of Public Accounts.

Schedule of State and Local Compliance and Other Findings

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2016

Ref. No.	Finding/Noncompliance
2016-001	**Finding:** IRS Publication 15 requires payments to employees for travel and other necessary expenses under a nonaccountable plan to be treated as supplemental wages. Two contract employees were paid a car allowance in addition to mileage reimbursement that was unsubstantiated. These amounts were not properly reported as supplemental wages to the IRS. As a result, the Commission failed to comply with IRS wage reporting requirements. **Recommendation:** The Commission should ensure proper procedures are in place for reporting supplemental wages to the IRS.
2016-002	**Finding:** The ***Code of Alabama 1975***, Section 40-28-3, provides for the distribution of the TVA in-lieu-of-taxes payments by the state to the governing bodies of the served counties. Portions of this money are to be further distributed to the agencies and municipalities within the county as provided by the ***Code of Alabama 1975***, Section 45-40-161. Errors were made in the distribution of these monies by the Commission. As a result, the fire departments and rescue squad did not receive their proper distribution as provided in the ***Code of Alabama 1975***, Section 45-40-161. **Recommendation:** The TVA in-lieu-of-taxes payments should be distributed in accordance with applicable laws.

Independent Auditor's Report

Independent Auditor's Report

Members of the Lawrence County Commission and County Administrator
Moulton, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawrence County Commission, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Lawrence County Commission as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

The management of the Lawrence 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawrence County Commission, as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Changes in the Net Pension Liability, Schedule of the Employer's Contributions, Schedules of Revenues and Expenditures and Changes in Fund Balances – Budget to Actual, and Schedule of Funding Progress (Exhibits 12 through 17), be presented to supplement the basis financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawrence County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 18), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*), is presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated May 1, 2020, on our consideration of the Lawrence County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Lawrence County Commission's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 1, 2020

Basic Financial Statements

Statement of Net Position
September 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash	$ 2,295,947.57	$ 990,470.55	$ 3,286,418.12
Investments	135,068.21	601,633.24	736,701.45
Receivables (Note 4)	504,766.40	179,502.90	684,269.30
Due from External Parties	278,612.68		278,612.68
Ad Valorem Taxes Receivable	2,297,064.42		2,297,064.42
Inventories	66,788.69		66,788.69
Total Current Assets	5,578,247.97	1,771,606.69	7,349,854.66
Noncurrent Assets			
Restricted Cash with Fiscal Agent	164,782.62		164,782.62
Internal Balances	(210,000.00)	210,000.00	
Capital Assets (Note 5):			
Nondepreciable	1,215,491.31	93,172.00	1,308,663.31
Depreciable, Net	30,165,635.09	1,765,631.43	31,931,266.52
Total Capital Assets, Net	31,381,126.40	1,858,803.43	33,239,929.83
Total Noncurrent Assets	31,335,909.02	2,068,803.43	33,404,712.45
Total Assets	36,914,156.99	3,840,410.12	40,754,567.11
Deferred Outflows of Resources			
Employer Pension Contributions	343,851.55	32,065.75	375,917.30
Related to Defined Benefit Pension Plan	425,874.26	39,714.74	465,589.00
Total Deferred Outflows of Resources	769,725.81	71,780.49	841,506.30
Liabilities			
Current Liabilities			
Accounts Payable	114,412.69	17,856.12	132,268.81
Accrued Wages Payable	78,159.63	10,121.44	88,281.07
Accrued Interest Payable	236,208.33		236,208.33
Due to External Parties	609.08		609.08
Unearned Revenue	65,820.22		65,820.22
Long Term Liabilities:			
Portion Due or Payable Within One Year:			
Capital Leases Payable	130,000.00		130,000.00
Warrants Payable	295,000.00		295,000.00
Total Current Liabilities	$ 920,209.95	$ 27,977.56	$ 948,187.51

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

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities			
Portion Due or Payable After One Year:			
Capital Leases Payable	$ 1,720,000.00	$	$ 1,720,000.00
Warrants Payable	11,195,000.00		11,195,000.00
Compensated Absences	147,650.72	25,115.54	172,766.26
Other Post Employment Benefits	1,519,788.65	121,806.35	1,641,595.00
Landfill Closure/Post Closure		812,506.76	812,506.76
Net Pension Liability	3,278,071.67	305,695.33	3,583,767.00
Total Noncurrent Liabilities	17,860,511.04	1,265,123.98	19,125,635.02
Total Liabilities	18,780,720.99	1,293,101.54	20,073,822.53
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	2,297,064.42		2,297,064.42
Related to Defined Benefit Pension Plan	872,676.85	81,381.15	954,058.00
Revenue Received in Advance - Motor Vehicle Taxes and Forestry	225,685.19		225,685.19
Total Deferred Inflows of Resources	3,395,426.46	81,381.15	3,476,807.61
Net Position			
Net Investment in Capital Assets	18,041,126.40	1,858,803.43	19,899,929.83
Restricted for:			
Capital Projects	278,263.34		278,263.34
Road Projects	970,318.80		970,318.80
Other Purposes	1,512,208.19		1,512,208.19
Unrestricted	(5,294,181.38)	678,904.49	(4,615,276.89)
Total Net Position	$ 15,507,735.35	$ 2,537,707.92	$ 18,045,443.27

Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	$ 4,735,907.31	$ 842,742.30	$ 923,117.79
Public Safety	4,611,317.41	945,796.34	361,731.19
Highways and Roads	3,429,031.82		2,641,380.25
Sanitation	8,000.00		
Health	37,527.94		
Welfare	277,334.74	25,319.98	55,275.00
Culture and Recreation	166,859.79	8,110.22	54,521.62
Education	45,844.60		
Interest on Long-Term Debt	665,711.61		
Total Governmental Activities	13,977,535.22	1,821,968.84	4,036,025.85
Business-Type Activities:			
Solid Waste	2,323,622.62	2,156,422.18	
Total Business-Type Activities	2,323,622.62	2,156,422.18	
Total Primary Government	$ 16,301,157.84	$ 3,978,391.02	$ 4,036,025.85
General Revenues:			
Taxes:			
Property Taxes for General Purposes			
Property Taxes for Specific Purposes			
General Sales Tax			
Miscellaneous Taxes			
Investment Earnings			
Rental Income			
TVA In Lieu of Taxes			
Miscellaneous			
Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Net Position - Beginning of Year			
Net Position - End of Year			

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Primary Government Governmental Activities	Business-Type Activities	Total
$	$ (2,970,047.22)	$	$ (2,970,047.22)
	(3,303,789.88)		(3,303,789.88)
3,367,629.80	2,579,978.23		2,579,978.23
	(8,000.00)		(8,000.00)
	(37,527.94)		(37,527.94)
	(196,739.76)		(196,739.76)
	(104,227.95)		(104,227.95)
	(45,844.60)		(45,844.60)
	(665,711.61)		(665,711.61)
3,367,629.80	(4,751,910.73)		(4,751,910.73)
		(167,200.44)	(167,200.44)
		(167,200.44)	(167,200.44)
$ 3,367,629.80	(4,751,910.73)	(167,200.44)	(4,919,111.17)
	1,877,617.78		1,877,617.78
	589,163.89		589,163.89
	1,559,711.86		1,559,711.86
	153,212.23		153,212.23
	3,100.48	6,637.46	9,737.94
	174,126.03	17,535.00	191,661.03
	843,146.71		843,146.71
	1,134,400.57	34,272.54	1,168,673.11
	230,000.00	(230,000.00)	
	6,564,479.55	(171,555.00)	6,392,924.55
	1,812,568.82	(338,755.44)	1,473,813.38
	13,695,166.53	2,876,463.36	16,571,629.89
	$ 15,507,735.35	$ 2,537,707.92	$ 18,045,443.27

Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Gasoline Tax Fund
Assets		
Cash	$ 345,857.54	$ 592,310.91
Cash with Fiscal Agent		
Investments	95,688.91	1,100.00
Ad Valorem Taxes Receivable	1,665,153.98	
Receivables (Note 4)	242,289.27	195,664.13
Due from Other Funds		164,537.12
Due from External Parties	278,612.68	
Inventories	23,273.70	43,514.99
Total Assets	2,650,876.08	997,127.15
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts Payable	67,692.78	43,310.52
Due to Other Funds	167,207.12	
Due to External Parties	210,000.00	
Accrued Wages Payable	48,298.08	14,728.01
Unearned Revenue		
Total Liabilities	493,197.98	58,038.53
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	1,665,153.98	
Revenue Received in Advance - Motor Vehicle Taxes and Forestry	225,685.19	
Total Deferred Inflows of Resources	1,890,839.17	
Fund Balances		
Nonspendable:		
Inventories	23,273.70	43,514.99
Restricted for:		
Capital Projects		
Other Purposes	276,349.90	
Assigned:		
Highways and Roads		895,573.63
Unassigned	(32,784.67)	
Total Fund Balances	266,838.93	939,088.62
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,650,876.08	$ 997,127.15

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
$ 68,969.38	$ 1,288,809.74	$ 2,295,947.57
	164,782.62	164,782.62
	38,279.30	135,068.21
631,910.44		2,297,064.42
	66,813.00	504,766.40
2,010.00	750.00	167,297.12
		278,612.68
		66,788.69
702,889.82	1,559,434.66	5,910,327.71
	3,409.39	114,412.69
	90.00	167,297.12
	609.08	210,609.08
5,159.16	9,974.38	78,159.63
65,820.22		65,820.22
70,979.38	14,082.85	636,298.74
631,910.44		2,297,064.42
		225,685.19
631,910.44		2,522,749.61
		66,788.69
	278,263.34	278,263.34
	1,235,858.29	1,512,208.19
	31,230.18	926,803.81
		(32,784.67)
	1,545,351.81	2,751,279.36
$ 702,889.82	$ 1,559,434.66	$ 5,910,327.71

This Page Intentionally Blank

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2016

Total Fund Balances - Governmental Funds (Exhibit 3)			$ 2,751,279.36
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			31,381,126.40
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities at year-end consist of:			
	Current Liabilities	Noncurrent Liabilities	
Accrued Interest Payable	$ 236,208.33	$	
Capital Leases Payable	130,000.00	1,720,000.00	
Warrants Payable	295,000.00	11,195,000.00	
Net Pension Liability		3,278,071.67	
Compensated Absences		147,650.72	
Other Postemployment Benefits		1,519,788.65	
Total Long-Term Liabilities	$ 661,208.33	$ 17,860,511.04	(18,521,719.37)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			
Employer Pension Contributions		$ 343,851.55	
Deferred Inflows Related to Defined Benefit Pension Plan		(872,676.85)	
Deferred Outflows Related to Defined Benefit Pension Plan		425,874.26	
			(102,951.04)
Total Net Position - Governmental Activities (Exhibit 1)			$ 15,507,735.35

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, 2016

	General Fund	Gasoline Tax Fund
Revenues		
Taxes	$ 3,509,291.74	$
Licenses and Permits	223,869.45	
Intergovernmental	1,729,753.28	5,580,809.87
Charges for Services	593,544.68	
Miscellaneous	958,020.85	37,557.47
Total Revenues	7,014,480.00	5,618,367.34
Expenditures		
Current:		
General Government	2,865,059.46	
Public Safety	3,420,157.08	
Highways and Roads	4,661.14	2,678,467.34
Sanitation	8,000.00	
Health	36,612.72	
Welfare	267,145.12	
Culture and Recreation	165,200.80	
Education	45,844.60	
Capital Outlay		2,261,327.52
Debt Service:		
Principal Retirement		560,579.97
Interest and Fiscal Charges		4,634.19
Total Expenditures	6,812,680.92	5,505,009.02
Excess (Deficiency) of Revenues Over Expenditures	201,799.08	113,358.32
Other Financing Sources (Uses)		
Transfers In	353,081.13	55,900.00
Sale of Capital Assets	265,500.00	24,851.00
Transfers Out	(999,423.73)	
Total Other Financing Sources (Uses)	(380,842.60)	80,751.00
Net Change in Fund Balances	(179,043.52)	194,109.32
Fund Balances - Beginning of Year	445,882.45	744,979.30
Fund Balances - End of Year	$ 266,838.93	$ 939,088.62

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
$ 589,163.89	$	$ 4,098,455.63
		223,869.45
	1,042,809.32	8,353,372.47
	979,234.73	1,572,779.41
2,010.00	314,038.76	1,311,627.08
591,173.89	2,336,082.81	15,560,104.04
573,373.89	325,724.94	3,764,158.29
	955,777.60	4,375,934.68
	192,189.79	2,875,318.27
		8,000.00
		36,612.72
	9,740.54	276,885.66
	2,265.75	167,466.55
		45,844.60
17,800.00	83,680.75	2,362,808.27
	415,000.00	975,579.97
	638,712.02	643,346.21
591,173.89	2,623,091.39	15,531,955.22
	(287,008.58)	28,148.82
	999,423.73	1,408,404.86
		290,351.00
	(178,981.13)	(1,178,404.86)
	820,442.60	520,351.00
	533,434.02	548,499.82
	1,011,917.79	2,202,779.54
$	$ 1,545,351.81	$ 2,751,279.36

This Page Intentionally Blank

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, 2016

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$ 548,499.82
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay ($2,362,808.27) exceeded depreciation ($1,461,244.14) in the current period.		901,564.13
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the changes in net position differs from the change in fund balance by the cost of the capital assets sold.		
Proceeds from Sale of Capital Assets	$ (290,351.00)	
Loss on Sale	(412,270.00)	
		(702,621.00)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		975,579.97
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. These items consist of:		
Net Decrease in Accrued Interest Payable	$ 4,970.84	
Net Increase in Compensated Absences	(26,554.57)	
Net Decrease in Pension Expense	343,851.55	
OPEB Liability	(197,049.12)	
Amortization of Bond Discounts/Premiums/Issuance Costs	(35,672.80)	
Total Additional Expenditures		89,545.90
Change in Net Position of Governmental Activities (Exhibit 2)		$ 1,812,568.82

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

Statement of Net Position
Proprietary Fund
September 30, 2016

	Enterprise Fund Solid Waste Fund	Total Enterprise Fund
Assets		
Current Assets		
Cash	$ 990,470.55	$ 990,470.55
Investments	601,633.24	601,633.24
Accounts Receivable	179,502.90	179,502.90
Due from Other Funds	210,000.00	210,000.00
Total Current Assets	1,981,606.69	1,981,606.69
Noncurrent Assets		
Capital Assets (Note 5):		
Nondepreciable	93,172.00	93,172.00
Depreciable, Net	1,765,631.43	1,765,631.43
Total Noncurrent Assets	1,858,803.43	1,858,803.43
Total Assets	3,840,410.12	3,840,410.12
Deferred Outflows of Resources		
Employer Pension Contributions	32,065.75	32,065.75
Related to Defined Benefit Pension Plan	39,714.74	39,714.74
Total Deferred Outflows of Resources	71,780.49	71,780.49
Liabilities		
Current Liabilities		
Accounts Payable	17,856.12	17,856.12
Accrued Wages Payable	10,121.44	10,121.44
Total Current Liabilities	27,977.56	27,977.56
Noncurrent Liabilities		
Compensated Absences	25,115.54	25,115.54
Other Postemployment Benefits	121,806.35	121,806.35
Net Pension Liability	305,695.33	305,695.33
Estimated Liability for Landfill Postclosure Care Costs	812,506.76	812,506.76
Total Noncurrent Liabilities	1,265,123.98	1,265,123.98
Total Liabilities	1,293,101.54	1,293,101.54
Deferred Inflows of Resources		
Related to Defined Benefit Pension Plan	81,381.15	81,381.15
Total Deferred Inflows of Resources	$ 81,381.15	$ 81,381.15

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

	Enterprise Fund Solid Waste Fund	Total Enterprise Fund
Net Position		
Net Investment in Capital Assets	$ 1,858,803.43	$ 1,858,803.43
Unrestricted	678,904.49	678,904.49
Total Net Position	$ 2,537,707.92	$ 2,537,707.92

This Page Intentionally Blank

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2016

	Enterprise Fund Solid Waste Fund	Total Enterprise Fund
Operating Revenues		
Landfill Fees	$ 2,156,422.18	$ 2,156,422.18
Total Operating Revenues	2,156,422.18	2,156,422.18
Operating Expenses		
Salaries and Benefits	661,470.84	661,470.84
Contractual and Professional Services	508,657.58	508,657.58
Materials and Supplies	252,401.31	252,401.31
Repairs and Maintenance	68,409.72	68,409.72
Utilities	25,229.16	25,229.16
Communications	3,938.15	3,938.15
Travel	4,164.22	4,164.22
Depreciation	226,448.00	226,448.00
Insurance	91,954.74	91,954.74
Total Operating Expenses	1,842,673.72	1,842,673.72
Operating Income (Loss)	313,748.46	313,748.46
Nonoperating Revenues (Expenses)		
Interest Revenue	6,637.46	6,637.46
Rental of Buildings and Land	17,535.00	17,535.00
Insurance Refunds	7,349.00	7,349.00
Other Revenue	26,923.54	26,923.54
Loss on Disposal of Assets	(480,948.90)	(480,948.90)
Total Nonoperating Revenues (Expenses)	(422,503.90)	(422,503.90)
Income (Loss) Before Transfers	(108,755.44)	(108,755.44)
Operating Transfers		
Transfers Out	(230,000.00)	(230,000.00)
Changes in Net Position	(338,755.44)	(338,755.44)
Net Position - Beginning of Year	2,876,463.36	2,876,463.36
Net Position - End of Year	$ 2,537,707.92	$ 2,537,707.92

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2016

	Enterprise Fund Solid Waste Fund	Total Enterprise Fund
Cash Flows from Operating Activities		
Receipts from Customers	$ 2,149,206.11	$ 2,149,206.11
Payments to Suppliers	(1,007,432.32)	(1,007,432.32)
Payments to Employees	(619,335.19)	(619,335.19)
Net Cash Provided (Used) by Operating Activities	522,438.60	522,438.60
Cash Flows from Noncapital Financing Activities		
Rental of Buildings and Land	17,535.00	17,535.00
Insurance Refunds	7,349.00	7,349.00
Trade in Value on Trucks	384,000.00	384,000.00
Other Revenue	26,923.54	26,923.54
Net Cash Provided (Used) by Noncapital Financing Activities	435,807.54	435,807.54
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(1,239,187.00)	(1,239,187.00)
Transfers Out	(230,000.00)	(230,000.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,469,187.00)	(1,469,187.00)
Cash Flows from Investing Activities		
Interest Received	6,637.46	6,637.46
Net Cash Provided (Used) by Investing Activities	6,637.46	6,637.46
Net Increase/(Decrease) in Cash and Cash Equivalents	(504,303.40)	(504,303.40)
Cash - Beginning of Year	1,494,773.95	1,494,773.95
Cash - End of Year	$ 990,470.55	$ 990,470.55

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

	Enterprise Fund Solid Waste Fund	Total Enterprise Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$ 313,748.46	$ 313,748.46
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Change in Assets and Liabilities:		
Receivables	(7,216.07)	(7,216.07)
Pension Contributions	(32,065.75)	(32,065.75)
Proportionate Share of Pension Liability	(39,714.74)	(39,714.74)
Accrued Wages Payable	10,121.44	10,121.44
Depreciation Expense	226,448.00	226,448.00
Compensated Absences	6,620.67	6,620.67
Other Postemployment Benefits	15,792.88	15,792.88
Landfill Postclosure	(18,200.00)	(18,200.00)
Deferred Outflows - Pensions	81,381.15	81,381.15
Payables	(34,477.44)	(34,477.44)
Total Adjustments	208,690.14	208,690.14
Net Cash Provided by Operating Activities	$ 522,438.60	$ 522,438.60

Statement of Fiduciary Net Position
September 30, 2016

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash	$ 1,589,724.39	$ 538,382.73
Investments	117,186.83	
Receivables (Note 4)	27,657.99	655,121.06
Due from External Parties	20,244.47	
Total Assets	1,754,813.68	1,193,503.79
Liabilities		
Salaries and Benefits Payable		90,772.42
Due to Other Governments		804,483.30
Due to External Parties		298,248.07
Total Liabilities		$ 1,193,503.79
Net Position		
Held in Trust for Other Purposes	1,754,813.68	
Total Net Position	$ 1,754,813.68	

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, 2016

	Private-Purpose Trust Funds
Additions	
Contributions from:	
State Grant	$ 104,500.00
Court Fees	194,794.25
District Attorney Fees	231,361.21
Law Library Fees	18,976.87
Community Development	255,260.07
Probate Judge	330,837.90
Sheriff	313,989.68
Miscellaneous	108,330.36
Interest	246.88
Total Additions	1,558,297.22
Deductions	
Administrative Expenses:	
General Government	792,592.13
Public Safety	347,217.42
Total Deductions	1,139,809.55
Changes in Net Position	418,487.67
Net Position - Beginning of Year	1,336,326.01
Net Position - End of Year	$ 1,754,813.68

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

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Lawrence 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 the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of the above criteria, the following entity is a component unit that has been included in the accompanying financial statements as a blended component unit.

Blended Component Units – Blended component units are legally separate entities that exist solely to provide services (usually financing) exclusively to the County. The blended component unit is as follows:

- ***911 Board*** – The Board is responsible for maintaining a county-wide dispatching system.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ***General Fund*** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. The General Fund is also used to report the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.

- ***Gasoline Tax Fund*** – This fund is used to account for the expenditures of seven-cent State gasoline tax revenues for the construction, improvement, maintenance and supervision of highways, bridges and streets.

- ***Reappraisal Fund*** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.

The Commission reports the following major enterprise fund:

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

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 principle and interest payments maturing in future years.

- ***Capital Projects Funds*** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

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

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

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

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

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is 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 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.

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

2. Receivables

Sales taxes 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 deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, reimbursements from other agencies and taxes and fees from the State of Alabama.

Accounts receivable from customers are reflected in the Enterprise Fund along with an allowance for doubtful accounts that was calculated based upon past experience with collections.

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

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Certain general obligation bonds as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Administrative Annex fund is used to report proceeds from the 2009 General Obligation Warrants to be used for various construction projects.

5. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 50,000	20 – 40 years
Equipment and Furniture	$ 5,000	5 – 10 years
Land Improvements	$ 5,000	25 – 40 years
Roads	$100,000	25 – 40 years
Bridges	$ 50,000	40 – 50 years

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

6. Deferred Outflows of Resources

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

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

8. Compensated Absences

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

Annual Leave

Employees with one through fifteen years of service earn thirteen (13) days of annual leave per year. Employees with over fifteen years of service earn eighteen (18) days per year. Employees can carry forward no more than 80 hours of annual leave per year. Any accumulated leave exceeding 80 hours at the end of the fiscal year is forfeited.

Sick Leave

Sick leave benefits with pay are provided for permanent full-time employees in the amount of 8 workdays per fiscal year. Sick leave benefits are accrued by all non-probationary permanent full-time employees at a rate of 2.5 hours per pay period. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees. Employees may accumulate up to 90 days of sick leave. All unused sick leave is forfeited upon separation and is not compensated to the employee. At September 30, 2016, liability for unpaid sick leave is not accrued in the financial statements since employees do not receive termination payments for sick leave balances.

Compensatory Leave

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 leave is calculated at one and one-half times the regular hours.

9. Deferred Inflows of Resources

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

10. 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.

11. Net Position/Fund Balances

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

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

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

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

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

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

- ***Restricted*** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

- ***Committed*** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

- ***Assigned*** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Chairman of the Commission or the County Administrator is authorized by the Commission to make the determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

- ***Unassigned*** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

Note 3 – Deposits and Investments

A. Deposits

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

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

B. Cash with Fiscal Agent

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

The Commission categorizes its fair value measurements within the fair value hierarchy established by the Governmental Accounting Standards Board (GASB) Statement Number 72, Fair Value Measurement and Application. The hierarchy is based on the valuation inputs used to measure their value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant observable inputs.

As of September 30, 2016, the Commission had the following investments and maturities in cash with fiscal agents:

Investment Type	Maturities	Fair Value	Fair Value Hierarchy
Dreyfus Government Cash Management	Less Than One Year	$164,782.62	Level 1
Total		$164,782.62	

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

Credit Risk – State law requires that pre-refunded public obligations, such as bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. The Commission has no formal policy regarding credit risk. The Standard & Poor's rating of the Commission's Dreyfus Government Cash Management investment is AAAm.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have an investment policy that limits the amount of securities that can be held by counterparties. The funds transferred to meet the Commission's annual debt service are invested until payments are made.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have an investment policy, which limits the amount of exposure to this risk.

Note 4 – Receivables

On September 30, 2016, receivables for the Commission's individual major funds, and other governmental funds and fiduciary funds in the aggregate are as follows:

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Governmental Funds				
Receivables:				
Accounts Receivable	$ 5,517.83	$	$	$ 5,517.83
Due from Other Governments	236,771.44	195,664.13	66,813.00	499,248.57
Total Receivables	$242,289.27	$195,664.13	$66,813.00	$504,766.40

	Solid Waste Fund	Total Enterprise Fund
Proprietary Funds		
Receivables:		
Accounts Receivable	$179,502.90	$179,502.90
Total Receivables	$179,502.90	$179,502.90

	Private-Purpose Trust Funds	Agency Funds
Fiduciary Funds:		
Receivables:		
Accounts Receivable	$	$464,431.99
Due from Other Governments	27,657.99	190,689.07
Total Receivables	$27,657.99	$655,121.06

Note 5 – Capital Assets

Capital asset activity for governmental activities for the year ended September 30, 2016, was as follows:

	Balance 10/01/2015	Additions	Retirements	Balance 09/30/2016
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,918,112.31	$	$(702,621.00)	$ 1,215,491.31
Total Capital Assets Not Being Depreciated	1,918,112.31		(702,621.00)	1,215,491.31
Capital Assets Being Depreciated:				
Infrastructure	21,472,450.25	2,171,327.52		23,643,777.77
Land Improvements	188,998.19			188,998.19
Buildings	13,025,657.32			13,025,657.32
Buildings Under Capital Lease	3,460,000.00			3,460,000.00
Equipment and Vehicles	5,142,927.51	191,480.75	(105,541.61)	5,228,866.65
Total Capital Assets Being Depreciated	43,290,033.27	2,362,808.27	(105,541.61)	45,547,299.93
Less Accumulated Depreciation for:				
Infrastructure	(5,604,544.49)	(732,452.73)		(6,336,997.22)
Land Improvements	(94,230.25)	(9,449.92)		(103,680.17)
Buildings	(2,968,328.20)	(369,681.61)		(3,338,009.81)
Buildings Under Capital Lease	(1,427,250.00)	(86,500.00)		(1,513,750.00)
Equipment and Vehicles	(3,931,609.37)	(263,159.88)	105,541.61	(4,089,227.64)
Total Accumulated Depreciation	(14,025,962.31)	(1,461,244.14)	105,541.61	(15,381,664.84)
Total Capital Assets, Being Depreciated, Net	29,264,070.96	901,564.13		30,165,635.09
Total Governmental Activities Capital Assets, Net	$ 31,182,183.27	$ 901,564.13	$(702,621.00)	$ 31,381,126.40

Capital asset activity for business-type activities for the year ended September 30, 2016, was as follows:

	Balance 10/01/2015	Additions	Retirements	Balance 09/30/2016
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	$ 93,172.00	$	$	$ 93,172.00
Total Capital Assets, Not Being Depreciated	93,172.00			93,172.00
Capital Assets Being Depreciated:				
Buildings	362,828.00			362,828.00
Equipment and Vehicles	1,573,431.63	1,239,187.00	(1,153,265.15)	1,659,353.48
Total Capital Assets Being Depreciated	1,936,259.63	1,239,187.00	(1,153,265.15)	2,022,181.48
Less: Accumulated Depreciation for:				
Buildings	(13,606.05)	(9,070.70)		(22,676.75)
Equipment and Furniture	(304,812.27)	(217,377.30)	288,316.27	(233,873.30)
Total Accumulated Depreciation	(318,418.32)	(226,448.00)	288,316.27	(256,550.05)
Total Capital Assets Being Depreciated, Net	1,617,841.31	1,012,739.00	(864,948.88)	1,765,631.43
Total Business-Type Activities Capital Assets, Net	$1,711,013.31	$1,012,739.00	$ (864,948.88)	$1,858,803.43

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 582,314.57
Public Safety	306,885.76
Highway and Roads	569,387.39
Welfare	1,635.82
Culture and Recreation	1,020.60
Total Depreciation Expense – Governmental Activities	$1,461,244.14

	Current Year Depreciation Expense
Business-Type Activities:	
Solid Waste	$226,448.00
Total Depreciation Expense – Business-Type Activities	$226,448.00

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

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

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

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

Benefits Provided

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

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

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

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 84,393 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	55,378
Total	84,393

Contributions

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, 2016, the Commission's active employee contribution rate was 7.44 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 7.78 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2016, was 7.76% of pensionable pay for Tier 1 employees, and 7.89% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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 $375,917.30 for the year ended September 30, 2016.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, rolled forward to September 30, 2015, using standard roll-forward techniques as shown in the following table:

	Expected	Actual
Total Pension Liability as of September 30, 2014 (a)	$18,270,803	$17,181,977
Entry Age Normal Cost for October 1, 2014 – September 30, 2015 (b)	481,189	481,189
Actual Benefit Payments and Refunds for October 1, 2014 – September 30, 2015 (c)	(1,076,956)	(1,076,956)
Total Pension Liability as of September 30, 2015 =[(a) x (1.08)] + (b) – [(c) x (1.04)]	$19,093,622	$17,917,690
Difference Between Expected and Actual Experience (Gain)/Loss		$ (1,175,932)

Actuarial Assumptions

The total pension liability in the September 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	3.75% - 7.25%
Investment Rate of Return (*)	8.00%

(*) Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2014, valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%.

Discount Rate

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

C. Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2014	$18,270,803	$14,528,807	$ 3,741,996
Changes for the Year:			
Service Cost	481,189		481,189
Interest	1,418,586		1,418,586
Difference between Expected and Actual Experience	(1,175,932)		(1,175,932)
Contributions – Employer		328,113	(328,113)
Contributions – Employee		377,717	(377,717)
Net Investment Income		170,201	(170,201)
Benefit Payments, including Refunds of Employee Contributions	(1,076,956)	(1,076,956)	
Transfers Among Employers		6,041	(6,041)
Net Changes	(353,113)	(194,884)	(158,229)
Balances at September 30, 2015	$17,917,690	$14,333,923	$ 3,583,767

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

The following table presents the Commission's net pension liability calculated using the discount rate of 8%, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Commission's Net Pension Liability	$5,552,052	$3,583,767	$1,914,309

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, 2015. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016, 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, 2016, the Commission recognized pension expense of $236,471.00. At September 30, 2016, 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	$	$954,058
Net difference between projected and actual earnings on pension plan investments	465,589	
Employer contributions subsequent to the measurement date	375,917	
Total	$841,506	$954,058

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, 2017	$(131,845)
2018	$(131,845)
2019	$(131,843)
2020	$ (26,374)
2021	$ (66,562)
Thereafter	$ 0

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Commission contributes to the Local Government Health Insurance Program, an agent multiple-employer defined benefit postemployment healthcare plan administered by the State Insurance Board. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. The ***Code of Alabama 1975***, Sections 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report.

B. Funding Policy

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2016. The Commission does not anticipate setting up a trust fund to fund its postemployment medical insurance plans.

The Commission contributes 70 percent of the cost of current-year premiums for eligible retirees' medical insurance premiums for family coverage and 75 percent for single coverage. For fiscal year 2016, the Commission contributed $104,186.00 to cover approximately 11 participants. Plan members receiving benefits contribute 30 percent for family coverage cost and 25 percent for single coverage costs. For fiscal year 2016, total retired member contributions were $33,132.00.

C. Annual OPEB Cost

For fiscal year 2016, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical insurance was $317,028.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2016	$317,028	32.9%	$1,641,595
09/30/2015	$298,885	38.5%	$1,428,753
09/30/2014	$298,885	34.9%	$1,244,792

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2016, was as follows:

Actuarial Accrued Liability (AAL)	$3,421,342
Actuarial Value of Plan Assets	$0
Unfunded Actuarial Accrued Liability (UAAL)	$3,421,342
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	$4,822,819
UAAL as a Percentage of Covered Payroll	70.94%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will in future years present multiyear trend information that will show whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used was the projected unit credit method. The actuarial assumptions included a 4 percent investment return assumption (or discount rate) and an annual healthcare cost trend rate of 7.75 percent initially, reduced by decrements to an ultimate rate of 5 percent after 8 years. It was assumed that 95 percent of future retirees would elect medical insurance coverage and 50 percent of retirees electing coverage who have spouses would elect spousal coverage. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years.

Note 8 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The 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, 2016.

Fiscal Year Ending	Governmental Activities
September 30, 2017	$ 222,500.00
2018	221,000.00
2019	224,250.00
2020	222,000.00
2021	224,500.00
2022-2026	1,115,000.00
2027	220,500.00
Total Minimum Lease Payments	2,449,750.00
Less: Amount Representing Interest	(599,750.00)
Present Value of Net Minimum Lease Payments	$1,850,000.00

Note 9 – Short-Term Debt

During the year, the Commission issued short-term debt for current operating expenses. The short-term debt notes were paid off approximately three months later. Short-term debt activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable	$	$400,000	$400,000	$

Note 10 – Long-Term Debt

During prior fiscal years, the Commission entered into various capital leases for the purpose of constructing a jail.

During fiscal year 2010, the Commission issued Series 2009-A General Obligation Refunding Warrants for the purpose of refinancing the Series 2002-A General Obligation Refunding Warrants and for financing certain capital improvements in the county and 2009-B General Obligation Recovery Zone Warrants for the purpose of financing certain capital improvements in the County.

The Commission issued General Obligation Warrants, dated November 21, 2014, for the purpose of purchasing road equipment. The Commission repaid the warrants with Gasoline Funds.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2016.

	Debt Outstanding 10/01/2015	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2016	Amounts Due Within One Year
Governmental Activities:					
Capital Lease Contracts Payable	$ 1,975,000.00	$	$ (125,000.00)	$ 1,850,000.00	$130,000.00
Warrants Payable:					
General Obligation Warrants, Series 2014	560,579.97		(560,579.97)		
General Obligation Warrants, Series 2009-A	9,930,000.00		(240,000.00)	9,690,000.00	250,000.00
General Obligation Warrants, 2009-B	1,850,000.00		(50,000.00)	1,800,000.00	45,000.00
Less: Unamortized Discounts	(12,550.09)		12,550.09		
Less: Deferred Loss on Refunding	(14,786.15)		14,786.15		
Total Warrants Payable	14,288,243.73		(948,243.73)	13,340,000.00	425,000.00
Other Liabilities:					
Other Postemployment Benefits	1,322,739.53	197,049.12		1,519,788.65	
Net Pension Liability	3,422,803.74		(144,732.07)	3,278,071.67	
Estimated Liability for Compensated Absences	121,096.15	26,554.57		147,650.72	
Total Other Liabilities	4,866,639.42	223,603.69	(144,732.07)	4,945,511.04	
Total Governmental Activities Long-Term Liabilities	$19,154,883.15	$223,603.69	$(1,189,431.20)	$18,285,511.04	$425,000.00

Payments on the general obligation warrants are made by the Debt Service Fund. The capital lease liabilities are paid by the Jail Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's funds. The majority of the liability will be liquidated by the General Fund and the Gasoline Tax Fund.

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

Fiscal Year Ending	2009 General Obligation Refunding Warrants		Capital Leases Payable		Total Principal and Interest Requirements
	Principal	Interest	Principal	Interest	
September 30, 2017	$ 295,000.00	$ 524,687.50	$ 130,000.00	$ 92,500.00	$ 1,042,187.50
2018	305,000.00	514,025.00	135,000.00	86,000.00	1,040,025.00
2019	315,000.000	502,643.75	145,000.00	79,250.00	1,041,893.75
2020	330,000.00	490,112.50	150,000.00	72,000.00	1,042,112.50
2021	340,000.00	476,737.50	160,000.00	64,500.00	1,041,237.50
2022-2026	1,900,000.00	2,155,018.75	920,000.00	195,000.00	5,170,018.75
2027-2031	2,315,000.00	1,685,162.53	210,000.00	10,500.00	4,220,662.53
2032-2036	2,875,000.00	1,069,012.50			3,944,012.50
2037-2040	2,815,000.00	290,518.75			3,105,518.75
Total	$11,490,000.00	$7,707,918.78	$1,850,000.00	$599,750.00	$21,647,668.78

Pledged Revenues

The Lawrence County Public Building Authority (the "PBA") issued the Series 1997 Revenue Warrants (Series 1997 Warrants) in August 1997 for the purpose of constructing a jail. The Commission pledged to repay the warrants from the proceeds for the revenues received for jail fees. Future revenues of $2,449,750.00 are pledged to repay the principal and interest on the warrants as of September 30, 2016. Proceeds from jail fees in the amount of $166,047.05 were received by the Commission during the fiscal year ended September 30, 2016. These fees along with additional funds were used to pay principal and interest on the warrants of $223,750.00 for fiscal year 2016. The 1997 Warrants will mature in fiscal year 2027.

The Commission issued Series 2009-A and 2009-B General Obligation Refunding Warrants for the purpose of refunding the Series 2002-A General Obligation Refunding Warrants, and for financing certain capital improvements in the county including the construction of a new courthouse facility. The Commission pledged to repay the warrants from the County's portion of the sales tax proceeds. Future revenues of $19,197,918.78 are pledged to repay the principal and interest on the warrants as of September 30, 2016. Sales tax proceeds in the amount of $502,204.84 were received by the Commission during the fiscal year ended September 30, 2016. These proceeds along with additional funds received from the General Fund was used to pay principal and interest of $824,525.00 in fiscal year 2016. The 2009-A and 2009-B General Obligation Warrants will mature in fiscal year 2040.

Bond Issuance Costs, Deferred Charges on Refunding and Discounts

The Commission has bond issuance costs, deferred charges on refunding, and a bond discount in connection with the issuance of its Series 2009-A and Series 2009-B General Obligation Refunding Bonds. The issuance costs, deferred charges on refunding and bond discount are being amortized using the straight-line method over a period of six years. These amounts were fully amortized during fiscal year 2016.

	Issuance Costs	Deferred Charges on Refunding	Discount
Total Issuance Costs, Deferred Charges on Refunding and Discount	$ 532,300.00	$ 300,116.34	$ 451,804.00
Amount Amortized Prior Years	(517,513.85)	(291,779.78)	(439,253.91)
Balance Issuance Costs, Deferred Charges on Refunding and Discount	14,786.15	8,336.56	12,550.09
Current Amount Amortized	(14,786.15)	(8,336.56)	(12,550.09)
Balance Issuance Costs, Deferred Charges on Refunding and Discount	$	$	$

Note 11 – Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the Commission place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liability for landfill closure and postclosure care costs has a balance of $812,506.76, as of September 30, 2016, which is based on an engineer's estimate of closure and postclosure care costs since the closing of the site in 1996. The original liability was based on what it would cost to perform all closure and postclosure costs in 1996. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 12 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to $1,000,000 per claim for a maximum total coverage of $3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to $1,000,000 per incident with a $5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCC 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 has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees may choose between two options. They may choose to participate in a plan administered by Blue Cross Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Note 13 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2016, were reported as follows:

	Due to Other Funds		
	General Fund	Other Governmental Funds	Totals Governmental Funds
Due from Other Funds:			
Gasoline Fund	$164,537.12	$	$164,537.12
Reappraisal Fund	2,010.00		2,010.00
Other Governmental Funds	660.00	90.00	750.00
Totals Governmental Funds	$167,207.12	$90.00	$167,297.12

Due To/From External Parties

	Due to External Parties			
	General Fund	Other Governmental Funds	Agency Funds	Totals
Due from External Parties:				
General Fund	$	$	$278,612.68	$278,612.68
Private-Purpose Trust Funds		609.08	19,635.39	20,244.47
Enterprise Fund	210,000.00			210,000.00
Totals	$210,000.00	$609.08	$298,248.07	$508,857.15

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2016, were as follows:

	Transfers In			
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Totals
Transfers Out:				
General Fund	$	$	$999,423.73	$ 999,423.73
Other Governmental Funds	123,081.13	55,900.00		178,981.13
Sub-Total	123,081.13	55,900.00		1,178,404.86
Proprietary Fund	230,000.00			230,000.00
Total	$353,081.13	$55,900.00	$999,423.73	$1,408,404.86

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

Note 14 – Related Organizations

A majority of the respective members of the boards of the organizations listed below are appointed by the Lawrence County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, and these organizations are not considered part of the Commission's financial reporting entity. The organizations listed below are considered a related organization of the County Commission.

Related Organizations
Industrial Development Board of Lawrence County
Lawrence County Healthcare Authority
Lawrence County Public Building Authority

Note 15 – Subsequent Events

On June 28, 2019, the Commission entered into a note payable in the amount of $576,676.00 from CB&S Bank to purchase four dump trucks. The maturity date for the note payable is June 28, 2024, and bears an interest rate of 3.49%. The payments will be made quarterly in the amount of $31,590.06 and will be repaid from the Gasoline Tax Fund.

Recently, the United States has encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions have been modified to ensure the safety of its citizenry as well as its employees. It is highly anticipated that revenues from all sources, including taxes and federal grants that are received by the 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 Commission to prepare budgets for the upcoming fiscal year to anticipate the impact of the pandemic. The 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.

This Page Intentionally Blank

Required Supplementary Information

Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2016

	2015	2014
Total pension liability		
Service cost	$ 481,189	$ 476,667
Interest	1,418,586	1,353,223
Difference between expected and actual experience	(1,175,932)	
Benefit payments, including refunds of employee contributions	(1,076,956)	(948,744)
Net change in total pension liability	(353,113)	881,146
Total pension liability - beginning	18,270,803	17,389,657
Total pension liability - ending (a)	$ 17,917,690	$ 18,270,803
Plan fiduciary net position		
Contributions - employer	$ 328,113	$ 340,863
Contributions - employee	377,717	402,311
Net investment income	170,201	1,582,432
Benefit payments, including refunds of employee contributions	(1,076,956)	(948,744)
Other (Transfers among employers)	6,041	(278,656)
Net change in plan fiduciary net position	(194,884)	1,098,206
Plan fiduciary net position - beginning	14,528,807	13,430,601
Plan fiduciary net position - ending (b)	$ 14,333,923	$ 14,528,807
Commission's net pension liability - ending (a) - (b)	$ 3,583,767	$ 3,741,996
Plan fiduciary net position as a percentage of the total pension liability	80.00%	79.52%
Covered payroll (*)	$ 4,982,326	$ 5,168,944
Commission's net pension liability as a percentage of covered payroll	71.93%	72.39%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2016, the measurement period is October 1, 2014 through September 30, 2015. GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll for fiscal year 2016.

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

Schedule of the Employer's Contributions
For the Year Ended September 30, 2016

	2016	2015	2014
Actuarially determined contribution (*)	$ 375,917	$ 328,113	$ 340,863
Contributions in relation to the actuarially determined contribution (*)	$ 375,917	$ 328,113	$ 340,863
Contribution deficiency (excess)	$	$	$
Covered payroll (**)	$ 4,831,633	$ 4,982,326	$ 5,168,944
Contributions as a percentage of covered payroll	7.78%	6.59%	6.59%

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

(**) Employer's covered payroll for fiscal year 2016 is the total covered payroll for the 12 month period of the underlying financial statements.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	24 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation

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

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 3,006,145.00	$ 3,006,145.00	$ 2,489,264.59
Licenses and Permits	99,800.00	99,800.00	223,869.45
Intergovernmental	1,802,422.00	1,802,422.00	1,674,478.28
Charges for Services	766,750.00	766,750.00	593,544.68
Miscellaneous	149,500.00	149,500.00	761,926.95
Total Revenues	5,824,617.00	5,824,617.00	5,743,083.95
Expenditures			
Current:			
General Government	2,318,371.81	2,318,371.81	2,232,366.60
Public Safety	3,441,781.47	3,441,781.47	3,420,157.08
Highways and Roads			4,661.14
Sanitation			8,000.00
Health	41,478.00	41,478.00	36,612.72
Welfare	101,000.00	101,000.00	76,372.77
Culture and Recreation	83,498.13	83,498.13	165,200.80
Education			45,844.60
Total Expenditures	5,986,129.41	5,986,129.41	5,989,215.71
Excess (Deficiency) of Revenues Over Expenditures	(161,512.41)	(161,512.41)	(246,131.76)
Other Financing Sources (Uses)			
Transfers In	204,262.41	204,262.41	638,081.13
Sale of Capital Assets			265,500.00
Transfers Out			(448,795.60)
Total Other Financing Sources (Uses)	204,262.41	204,262.41	454,785.53
Net Change in Fund Balances	42,750.00	42,750.00	208,653.77
Fund Balances - Beginning of Year			(356,397.59)
Fund Balances - End of Year	$ 42,750.00	$ 42,750.00	$ (147,743.82)

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 1,020,027.15	$ 3,509,291.74
		223,869.45
(1)	55,275.00	1,729,753.28
		593,544.68
(1)	196,093.90	958,020.85
(1)	1,271,396.05	7,014,480.00
(2)	632,692.86	2,865,059.46
		3,420,157.08
		4,661.14
		8,000.00
		36,612.72
(2)	190,772.35	267,145.12
		165,200.80
		45,844.60
	823,465.21	6,812,680.92
	447,930.84	201,799.08
(3)	(285,000.00)	353,081.13
		265,500.00
(3)	(550,628.13)	(999,423.73)
(3)	(835,628.13)	(380,842.60)
(4)	(387,697.29)	(179,043.52)
	802,280.04	445,882.45
	$ 414,582.75	$ 266,838.93

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended September 30, 2016

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

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

(1) Revenues		
Sales Tax Administrative Fund	$	533,634.30
Public Roads, Buildings and Bridges Fund		499,012.98
Reappraisal Fund		103.86
Program on Aging Fund		85,715.38
Fuel System Fund		152,929.53
(2) Expenditures		
Public Roads, Buildings and Bridges Fund	$	368,913.72
Program on Aging Fund		190,772.35
Fuel System Fund		263,779.14
(3) Other Financing Sources/(Uses), Net		
Sales Tax Administrative Fund	$	(717,527.02)
Public Roads, Buildings and Bridges Fund		(243,358.21)
Program on Aging Fund		125,257.10
Net Decrease in Fund Balance - Budget to GAAP		

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

$	1,271,396.05
	(823,465.21)
	(835,628.13)
$	(387,697.29)

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Gasoline Tax Fund For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Intergovernmental	$ 2,392,000.00	$ 2,392,000.00	$ 2,132,181.52
Miscellaneous			30,014.15
Total Revenues	2,392,000.00	2,392,000.00	2,162,195.67
Expenditures			
Current:			
Highways and Roads	2,369,640.00	2,369,640.00	1,933,738.86
Capital Outlay	3,000.00	3,000.00	90,000.00
Debt Service:			
Principal Retirement			560,579.97
Interest and Fiscal Charges			4,634.19
Total Expenditures	2,372,640.00	2,372,640.00	2,588,953.02
Excess (Deficiency) of Revenues Over Expenditures	19,360.00	19,360.00	(426,757.35)
Other Financing Sources (Uses)			
Transfers In			425,900.00
Sale of Capital Assets			24,851.00
Total Other Financing Sources (Uses)			450,751.00
Net Change in Fund Balances	19,360.00	19,360.00	23,993.65
Fund Balances - Beginning of Year			288,121.02
Fund Balances - End of Year	$ 19,360.00	$ 19,360.00	$ 312,114.67

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 3,448,628.35	$ 5,580,809.87
(1)	7,543.32	37,557.47
(1)	3,456,171.67	5,618,367.34
(2)	744,728.48	2,678,467.34
(2)	2,171,327.52	2,261,327.52
		560,579.97
		4,634.19
(2)	2,916,056.00	5,505,009.02
	540,115.67	113,358.32
(3)	(370,000.00)	55,900.00
		24,851.00
(3)	(370,000.00)	80,751.00
(4)	170,115.67	194,109.32
	456,858.28	744,979.30
	$ 626,973.95	$ 939,088.62

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Gasoline Tax Fund For the Year Ended September 30, 2016

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

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

(1) Revenues		
Public Highway and Traffic Fund	$	165,776.44
RRR Gasoline Fund		3,040,121.72
Secondary Road Fund		250,273.51
(2) Expenditures		
RRR Gasoline Fund	$	(2,716,056.71)
Secondary Road Fund		(199,999.29)
(3) Other Financing Uses		
Public Highway and Traffic Fund	$	(220,000.00)
Secondary Road Fund		(150,000.00)
Net Increase in Fund Balance - Budget to GAAP		

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

$	3,456,171.67
	(2,916,056.00)
	(370,000.00)
$	170,115.67

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Reappraisal Fund For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 642,700.00	$ 642,700.00	$ 589,163.89
Miscellaneous			2,010.00
Total Revenues	642,700.00	642,700.00	591,173.89
Expenditures			
Current:			
General Government	572,700.00	572,700.00	573,373.89
Capital Outlay	70,000.00	70,000.00	17,800.00
Total Expenditures	642,700.00	642,700.00	591,173.89
Excess (Deficiency) of Revenues Over Expenditures			
Net Change in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	$	$	$

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 589,163.89
	2,010.00
	591,173.89
	573,373.89
	17,800.00
	591,173.89
$	$

Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2009	$0	$3,547,572	$3,547,572	0%	$5,013,522	70.76%
09/30/2016 (*)	$0	$3,421,342	$3,421,342	0%	$4,822,819	70.94%

(*) Includes the updated actuarial assumptions and plan design based on the introduction of a new tier of membership for those hired on or after January 1, 2013.

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Agriculture		
Passed Through the Alabama Department of Finance		
Schools and Roads - Grants to States (M)	10.665	N/A
U. S. Department of Interior		
Direct Program		
Payments in Lieu of Taxes	15.226	N/A
U. S. Department of Justice		
Passed Through Alabama Department of Economic and Community Affairs		
Violence Against Women Formula Grants	16.588	14 WF LE 005
Violence Against Women Formula Grants	16.588	15 WF LE 006
Sub-Total		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15 DJ 04 018
Total U. S. Department of Justice		
U. S. Department of Transportation		
Passed Through Alabama Department of Transportation		
Formula Grants for Rural Areas	20.509	RPT 040
Passed Through Franklin County Commission		
Highway Safety Cluster:		
National Priority Safety Programs	20.616	16-HD-M5-004(405d)
State and Community Highway Safety	20.600	16-SP-PT-004
Total Highway Safety Cluster		
Total U. S. Department of Transportation		
U. S. Department of Health and Human Services		
Passed Through North Alabama Regional Council of Local Governments		
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	N/A
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	N/A
Total U. S. Department of Health and Human Services		
Sub-Total Forward		

Pass-Through to Subrecipients	Total Federal Expenditures
$ 138,248.90	$ 276,497.80
	149,474.00
	21,696.08
	58,861.62
	80,557.70
	40,586.20
	121,143.90
	88,396.00
	5,851.63
	3,592.10
	9,443.73
	97,839.73
	9,025.00
	45,250.00
	54,275.00
$ 138,248.90	$ 699,230.43

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Homeland Security		
Passed Through State of Alabama Department of Emergency Management		
Hazard Mitigation Grant (M)	97.039	HMGP 1971
Emergency Management Performance Grants	97.042	1EMF
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4251-PA-AL
Total U. S. Department of Homeland Security		
U. S. General Services Administration		
Passed Through Alabama Department of Economic and Community Affairs		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
Other Federal Assistance		
Tennessee Valley Authority		
Passed Through State of Alabama Department of Emergency Management		
Radiological Emergency Plans (M)	N/A	9TVA
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Non-Cash Assistance
N/A = Not Applicable or Not Available

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

Pass-Through to Subrecipients	Total Federal Expenditures
$ 138,248.90	$ 699,230.43
	133,383.81
	27,783.00
	87,135.98
	248,302.79
	5,076.91
	157,476.00
$ 138,248.90	$ 1,110,086.13

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2016

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Lawrence County Commission and is presented on the modified accrual basis of accounting. 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 Lawrence County Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Lawrence 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 Lawrence County Commission has elected not to use the 10-percent indirect cost rate as allowed by the *Uniform Guidance*.

Additional Information

Commission Members and Administrative Personnel
October 1, 2015 through September 30, 2016

Commission Members		**Term Expires**
Hon. Mose Jones, Jr.	Member	2018
Hon. Norman Pool	Member	2018
Hon. Bradley Cross (**)	Member	2018
Hon. Bobby Burch (*)	Member	2018
Hon. Joey Hargrove	Member	2018
Administrative Personnel		
Donna Llewellyn	County Administrator	June 2016
Heather Dyar	Interim County Administrator	Indefinite

(*) Bobby Burch served as Chairman from August 2015 to June 2016
(**) Bradley Cross served as Chairman from June 2016 to the end of the audit period.

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 Lawrence County Commission and County Administrator
Moulton, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawrence County Commission, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Lawrence County Commission's basic financial statements and have issued our report thereon dated May 1, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as findings 2016-003 and 2016-004 that we consider to be 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

Compliance and Other Matters

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

Lawrence County Commission's Response to Findings

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

Purpose of this Report

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

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 1, 2020

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 Lawrence County Commission and County Administrator
Moulton, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Lawrence County Commission's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Lawrence County Commission's major federal programs for the year ended September 30, 2016. The Lawrence County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Lawrence County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lawrence County 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 each major federal program. However, our audit does not provide a legal determination of the Lawrence County 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 Lawrence County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the Lawrence County 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 Lawrence County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lawrence County Commission's internal control over compliance.

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

May 1, 2020

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified?	__X__ Yes	_____ None reported
Noncompliance material to financial statements noted?	_____ Yes	__X__ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified?	_____ Yes	__X__ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	_____ Yes	__X__ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.665	School and Roads – Grants to States
97.039	Hazard Mitigation Grant
N/A	Radiological Emergency Plans

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00	
Auditee qualified as low-risk auditee?	_____ Yes	__X__ No

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2016-003	Internal Control	**Finding:** An adequate system of internal controls requires that the proper supporting documentation, including approved purchase orders, be maintained for all expenditures. The Commission was unable to locate records and supporting documentation of several expenditures. Procedures were not in place to ensure all supporting documentation for expenditures was maintained. As a result, all checks and supporting documents were not available for review, and therefore, the Commission was unable to prove that all expenditures were made for allowable purposes. **Recommendation:** The Commission should ensure that adequate internal controls are in place to properly document expenditures. **Views of Responsible Officials:** The Lawrence County Commission agrees with this finding.	

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2016-004	Internal Control	**Finding:** An adequate system of internal controls requires that bank reconciliations be performed on a monthly basis. Various bank accounts were not reconciled throughout the fiscal year. Procedures were not in place to ensure all accounts were reconciled on a monthly basis. As a result, the Commission was unable to ensure all funds receipted were accurately deposited, all the bank account balances reconciled to the Commission's records. **Recommendation:** The Commission should ensure adequate internal controls are in place to reconcile all bank accounts on a monthly basis. **Views of Responsible Officials:** The Lawrence County Commission agrees with this finding.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	

Auditee Response/Corrective Action Plan

BOARD MEMBERS
Jesse Byrd, District I
Norman Pool, District II
Kyle Pankey, District III
Bobby Burch, District IV
Joey Hargrove, District V

ADMINISTRATOR
Heather Dyar

County Commission

12001 AL Highway 157
Annex 3 Suite 1
PO Box 307
Moulton, Alabama 35650

Telephone: 256.974.0663
Fax: 256.974.2403

May 18, 2020

Rachel Laurie Riddle
Chief Examiner
401 Adams Avenue
Montgomery, AL 36104

Corrective Action Plan
For the Year Ended September 30, 2016

As required by the ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards***, 2 CFR 200.511(c), the ***Lawrence County Commission*** has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2016.

Finding Ref. No. — ***Corrective Action Plan Details***

2016-003

Finding: An adequate system of internal controls requires that the proper supporting documentation, including approved purchase orders, be maintained for all expenditures. The Commission was unable to locate records and supporting documentation of several expenditures. Procedures were not in place to ensure all supporting documentation for expenditures was maintained. As a result, all checks and supporting documents were not available for review, and therefore, the Commission was unable to prove that all expenditures were made for allowable purposes.

Corrective Action Planned: In September 2017, Lawrence County Commission hired additional staff to assist in adequate internal controls. By hiring an accounts payable clerk and an accounts receivables clerk, this has allowed us to implement adequate internal controls. Approved purchase orders and other supporting documentation are currently being maintained. Filing systems have been implemented and are currently being maintained.

Contact Person: Heather Dyar, County Administrator
Mechelle Graham, County Accountant

Anticipated Completion Date: Completion date was obtained in September 2017 upon hiring additional staff within the Commission office.

BOARD MEMBERS
Jesse Byrd, District I
Norman Pool, District II
Kyle Pankey, District III
Bobby Burch, District IV
Joey Hargrove, District V

ADMINISTRATOR
Heather Dyar

County Commission

12001 AL Highway 157
Annex 3 Suite 1
PO Box 307
Moulton, Alabama 35650

Telephone: 256.974.0663
Fax: 256.974.2403

2016-004

Finding: An adequate system of internal controls requires that bank reconciliations be performed on a monthly basis. Various bank accounts were not reconciled throughout the fiscal year. Procedures were not in place to ensure all accounts were properly reconciled on a monthly basis. As a result, the Commission was unable to ensure all funds receipted were accurately deposited, all disbursements cleared the bank accounts.

Corrective Action Planned: In September 2017, Lawrence County Commission hired adequate staff to ensure internal controls are in place to reconcile all bank accounts on a monthly basis. By hiring an accounts payable clerk, a receivables clerk, and a payroll clerk, we are now able to implement segregation of duties. This has allowed the County Accountant and County Administrator to focus on bank reconciliations on a monthly basis. Additionally, measures are in place to ensure internal controls over the safe handling of original bank statements.

Anticipated Completion Date: Completion date was obtained in September 2017 upon the hiring additional staff within the Commission office and implementing internal controls that are currently in place.

Contact Person: Heather Dyar, County Administrator
Mechelle Graham, County Accountant

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

For the Year Ended September 30, 2016

Finding 2016-001: IRS Publication 15 requires payment to employees for travel and other necessary expenses under a nonaccountable plan to be treated as supplemental wages. Two contract employees were paid a car allowance in addition to mileage reimbursement that was unsubstantiated. These amounts were not properly reported as supplemental wages to the IRS. As a result, the Commission failed to comply with IRS wage reporting requirements.

Response: As stated in our written audit response, we do agree this finding occurred. However, during this time the contract employee who was acting as County Administrator instructed our payroll clerk that the Commission had agreed to the payment of the travel allowance in addition to the mileage reimbursement. The payroll clerk was fearful that she would be dismissed from her job if she did not pay as instructed. The distribution of said payments were a one-time situation that was done at the request of acting contract County Administrator

Corrective Action Planned: Lawrence County Commission has ensured compliance by subsequently terminating the contract with the two said individuals and will not be participating in a contractual relationship with them again. We know have procedures in place to ensure this does not happen again.

BOARD MEMBERS
Jesse Byrd, District I
Norman Pool, District II
Kyle Pankey, District III
Bobby Burch, District IV
Joey Hargrove, District V

ADMINISTRATOR
Heather Dyar

County Commission

12001 AL Highway 157
Annex 3 Suite 1
PO Box 307
Moulton, Alabama 35650

Telephone: 256.974.0663
Fax: 256.974.2403

Contact Person: Heather Dyar, County Administrator
Mechelle Graham, County Accountant

Anticipated Completion Date: Completion date was obtained in December, 2017 upon termination of contract employee.

Finding 2016-002: The ***Code of Alabama 1975***, Section 40-28-3, provides for the distribution of the TVA in-lieu-of-taxes payments by the state to the governing bodies of the served counties. Portions of this money are to the further distributed to the agencies and municipalities within the county as provided by the ***Code of Alabama 1975***, Section 45-40-161. Errors were made in the distribution of these monies by the Commission. As a result, the fire departments and rescue squad did not receive their proper distribution as provided in the ***Code of Alabama 1975***, Section 45-40-161.

Response: As we stated in our written audit response, we do agree this finding occurred. At the time, we were distributing funds by an incorrect distribution formula. Since then, the formula has been corrected and we are now distributing funds based on the correct formula. Also, one of the volunteer fire departments dissolved many years ago; therefore, no payments were due them.

Corrective Action Planned: Lawrence County Commission has corrected the errors in the distribution formula of TVA taxes. All payments have been made to the volunteer fire departments and the rescue squad. All outstanding amounts that were owed to these entities are current.

Contact Person: Heather Dyar, County Administrator
Mechelle Graham, County Accountant

Anticipated Completion Date: Completion date was obtained in 2018 - 2019 when all disbursements were paid in full.

Sincerely,

Bobby Burch, Chairman
Lawrence County Commission