Report on the

# Lawrence County Commission

## Lawrence County, Alabama

## October 1, 2016 through September 30, 2017

Filed: February 19, 2021

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*Rachel Laurie Riddle, Chief Examiner*

21-132

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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, 2016 through September 30, 2017, by Examiners Isabelle Lisenby, Jacob Perdue, and Reyna Garcia. I, Isabelle Lisenby, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results and findings of the audit.

Respectfully submitted,

Isabelle Lisenby
Examiner of Public Accounts

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Department of
# Examiners of Public Accounts

## SUMMARY

**Lawrence County Commission**
**October 1, 2016 through September 30, 2017**

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 18. 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. 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, 2017.

Financial statements for the fiscal year ending September 30, 2017 were not prepared timely. The Commission's failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

### *AUDIT FINDING*

A problem was found with the Commission's internal controls over financial reporting (Exhibit 19) and it is summarized below.

- 2017-001 relates to the Commission's failure to reconcile all bank accounts in a timely manner. This finding was previously reported as Finding 2016-004.

***EXIT CONFERENCE***

Commission members and administrative personnel, as reflected on Exhibit 18, 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 Joey Hargrove. Representing the Department of Examiners of Public Accounts were: Isabelle Lisenby, Jacob Perdue, and Reyna Garcia, Examiners of Public Accounts.

# *Independent Auditor's Report*

# ***Independent Auditor's Report***

Members of 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, 2017, and the related notes to the financial statements, which collectively comprise the Lawrence County Commission's basic financial statements 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 from material misstatement, whether due to fraud or error.

## ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 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, 2017, 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), the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions, the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedule of Funding Progress – Other Postemployment Benefits (Exhibits 12 through 17), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 28, 2021, 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 solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lawrence County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Lawrence County Commission's internal control over financial reporting and compliance.

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 28, 2021

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

# LAWRENCE COUNTY COMMISSION
## Management's Discussion and Analysis

This discussion and analysis provides an overview of the financial position of the Lawrence County Commission for the fiscal year ended September 30, 2017, with comparative data for the fiscal year ended September 30, 2016. Please read it in conjunction with the County's basic financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The County's net position decreased by $208,630.19 as a result of the current year's operations. Net position of governmental activities decreased by $111,410.52; while the net position for business type activities decreased by $97,219.67.
- The County's governmental fund type balances increased by $448,233.90.
- Total revenues from all sources were $15,490,478.75 while total costs of all programs were $15,699,108.94.

### REPORT LAYOUT

The annual report consists of a series of financial statements. Taken together they provide a comprehensive look at the County. This annual report presents the following components of the financial statements:

- Government-wide financial statements provide information for the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements provide detailed information for the County's significant funds. Governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.
- The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.
- Notes to the financial statements provide additional information that is essential to understanding the County's financial condition.

The report also contains other information that further explains and supports the information in the financial statements.

## Government-Wide Financial Statements

The *government-wide financial statements* are designed to present a broad overview of the County's financial position in a manner similar to private-sector business. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The *Statement of Net Position* focuses on resources available for future operations. This statement presents a view of the assets the county owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Over a period of time, increases and decreases in net position may indicate whether the County's financial position is improving or deteriorating. To assess the overall health of the County you need to consider other non-financial factors such as changes in the County's property tax base and the condition of the County's roads.

The *Statements of Activities* focuses on gross and net cost of the County's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The County's government-wide financial statements are divided into two categories:

- Governmental Activities – Most of the County's basic services are reported here, including general government, public safety, highways and roads, health and welfare, and culture and recreation. Property taxes, gasoline taxes, license and permits and charges for services finance most of these activities.

- Business-Type Activities – The County charges fees to customers to help it cover the cost of certain services it provides. The County's solid waste activities are reported in this category.

## Fund Financial Statements

Fund financial statements focus separately on major governmental funds and proprietary funds. The County establishes many funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The fund financial statements provide detailed information about the County's significant funds-not the County as a whole. The County's funds can be divided into three categories-governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* – The majority of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's operations and the basic services it provides. Governmental funds statements assist the reader in determining the short-term financial resources available to finance future programs. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide reconciliation to the government-wide financial statements.

*Proprietary Funds* – Proprietary fund statements provide the same type of information as the government- wide statements, only in more detail. The County maintains one type of proprietary fund-the enterprise fund. When the County charges customers for services it provides, these services are generally reported in the enterprise fund. The enterprise funds are presented as business-type activities in the government-wide statements.

*Fiduciary Funds* – The County is responsible for assets that are held on behalf of other organizations or individuals. The County is responsible to ensure the assets reported in these funds are used for their intended purpose. The fiduciary activities are reported in separate statements of fiduciary assets and changes in fiduciary net position. The County cannot use these assets to finance its operations, therefore, these activities have been excluded from the County's other financial statements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the financial statements follow the presentation of the exhibits contained in this report.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The following two tables (A-1 and A-2) present condensed information on the County's Net Position and Changes in Net Position for the fiscal year ended September 30, 2017. Comparative information for the prior fiscal year is included. As noted earlier, net position may serve over time as a useful indicator of the County's financial position. In the County's case, assets exceeded liabilities by $17,836,813.08 at the close of the fiscal year.

The largest portion of the County's net position reflects its investments in capital assets (e.g. land, buildings, equipment, construction in progress and equipment under capital lease); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table A-1**
**Net Position**
**(in thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Current Assets and Other Assets | $ 5,578 | $ 6,371 | $1,772 | $1,422 | $ 7,350 | $ 7,793 |
| Noncurrent Assets | (45) | 31 | 210 | 135 | 165 | 166 |
| Capital Assets | 31,381 | 30,696 | 1,858 | 2,247 | 33,239 | 32,943 |
| Total Assets | 36,914 | 37,098 | 3,840 | 3,804 | 40,754 | 40,902 |
| Deferred Outflows of Resources | 770 | 735 | 71 | 71 | 841 | 806 |
| Current Liabilities | 920 | 1,416 | 28 | 109 | 948 | 1,525 |
| Noncurrent Liabilities | 17,861 | 17,070 | 1,265 | 1,188 | 19,126 | 18,258 |
| Total Liabilities | 18,781 | 18,486 | 1,293 | 1,297 | 20,074 | 19,783 |
| Deferred Inflows of Resources | 3,396 | 3,951 | 81 | 138 | 3,477 | 4,089 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 18,041 | 17,445 | 1,858 | 2,247 | 19,899 | 19,692 |
| Restricted for: | | | | | | |
| Capital Projects | 278 | 271 | | | 278 | 271 |
| Road Projects | 971 | 1,171 | | | 971 | 1,171 |
| Other Purposes | 1,512 | 1,471 | | | 1,512 | 1,471 |
| Unrestricted | (5,294) | (4,962) | 679 | 193 | (4,615) | (4,769) |
| Total Net Position | $15,508 | $15,396 | $2,537 | $2,440 | $18,045 | $17,836 |

## Table A-2
## Changes in Net Position
## For the Year Ended September 30, 2017
## (in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| **Revenues** | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Service | $ 1,822 | $ 1,893 | $2,156 | $2,224 | $ 3,978 | $ 4,117 |
| Operating Grants and Contributions | 4,036 | 3,906 | | | 4,036 | 3,906 |
| Capital Grants and Contributions | 3,368 | 1,034 | | | 3,368 | 1,034 |
| General Revenues: | | | | | | |
| Property Taxes – General Purposes | 1,878 | 2,129 | | | 1,878 | 2,129 |
| Property Taxes – General Purposes | 589 | 959 | | | 589 | 959 |
| General Sales Tax | 1,560 | 1,455 | | | 1,560 | 1,455 |
| Miscellaneous Taxes | 153 | 187 | | | 153 | 187 |
| Interest Revenue | 3 | 26 | 7 | | 10 | 26 |
| TVA in Lieu of Taxes | 843 | 637 | | | 843 | 637 |
| Net Loss on Sale of Capital Assets | | | | | | |
| Rental Income | 174 | | 18 | 18 | 192 | 18 |
| Miscellaneous Revenue | 1,135 | 1,006 | 34 | 16 | 1,169 | 1,022 |
| Transfers In (Out) | 230 | 215 | (230) | (215) | | |
| Total Revenues | 15,791 | 13,447 | 1,985 | 2,043 | 17,776 | 15,490 |
| **Expenditures/Expenses** | | | | | | |
| General Government | 4,736 | 3,898 | | | 4,736 | 3,898 |
| Public Safety | 4,611 | 4,859 | | | 4,611 | 4,859 |
| Highways and Roads | 3,429 | 3,635 | | | 3,429 | 3,635 |
| Sanitation | 8 | 7 | 2,324 | 2,140 | 2,332 | 2,147 |
| Health | 38 | 44 | | | 38 | 44 |
| Welfare | 277 | 298 | | | 277 | 298 |
| Culture and Recreation | 167 | 148 | | | 167 | 148 |
| Education | 46 | 45 | | | 46 | 45 |
| Interest and Fiscal Charges | 666 | 625 | | | 666 | 625 |
| Total Expenditures/Expenses | 13,978 | 13,559 | 2,324 | 2,140 | 16,302 | 15,699 |
| Increase (Decrease) in Net Position | 1,813 | (112) | (339) | (97) | 1,474 | (209) |
| Net Position – Beginning of Year | 13,695 | 15,508 | 2,876 | 2,537 | 16,571 | 18,045 |
| Net Position – End of Year | $15,508 | $15,396 | $2,537 | $2,440 | $18,045 | $17,836 |

The County's total revenues were approximately $15.490 million. Approximately 20% of the County's revenue comes from property taxes and 10% comes from sales taxes. Another 26% comes from fees charged for services and the majority of the remainder is state and federal aid.

The total cost of all programs and services (excluding transfers) were approximately $15.7 million. The County's expenses cover a range of services. The majority of the expenses related to general government (25%), public safety (31%) and highways and roads (23%).

**Governmental Activities**: Table A-3 below represents the cost of the County's program as well as each program net cost. The net costs show the financial burden that was placed on the County's taxpayers by each function.

The cost of all governmental activities this year was $13.56 million. However, the net cost to taxpayers for these activities was $6.726 million. Some of the costs were paid by (1) those that directly benefited from the programs ($1.893 million) or (2) other governments and organizations that subsidized certain programs with grants and contributions ($4.9 million). The County paid for the $6.61 million "public benefit" portion with property taxes, sales taxes, TVA in Lieu of taxes, investment earnings and other miscellaneous revenues.

**Table A-3**
**Net Cost of Governmental Activities**
**September 30, 2017**
**(in thousands)**

| | Total Cost of Services | Net Cost of Services |
|---|---|---|
| General Government | $ 3,898 | $2,445 |
| Public Safety | 4,859 | 3,024 |
| Highways and Roads | 3,635 | 209 |
| Sanitation | 7 | 7 |
| Health and Welfare | 342 | 288 |
| Culture and Recreation | 148 | 83 |
| Education | 45 | 45 |
| Other | 625 | 625 |
| Total | $13,559 | $6,726 |

**Business-Type Activities**: The Solid Waste Fund is the County's only business-type activity fund. The cost of the program is fully funded by Solid Waste Fees. In addition to household garbage pick-up fees collected, the County collects a $1.00 per ton tipping fee from the owners of the landfill. This accounts for the $117,780.33 excess of revenues over expenditures. Proprietary Fund statements are reflected in Exhibits #7 through #9.

**FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS**

At the close of the fiscal year, the Commission's governmental funds reported a combined fund balance of $3,199,513.26. The County's major funds for 2017 were the General Fund, Gasoline Tax Fund, and Reappraisal Fund. The changes in fund balances for the major funds are reflected in Exhibit #5 and are highlighted as follows:

- The General Fund had an ending fund balance of $593,754.48.
- The Gasoline Tax Fund had an ending fund balance of $1,108,752.52.

## General Fund Budgetary Highlights

The County Commission has established an annual budget process whereby all of the departments submit an annual budget request to the Commission for the coming year's operating expenses. The Commission reviews, adjusts as necessary, and then adopts an original budget to fund the operating needs of each department. Throughout the year, the original budget is amended to reflect changes in funding needs.

The General Fund statement reflecting original and final budgets, plus actual compared to final budget amounts is shown on Exhibit #14.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2017, the Lawrence County Commission had invested $32.94 million (net of accumulated depreciation) in capital assets for its governmental and business-type activities. This investment in capital assets includes land, land improvements, infrastructure and infrastructure in progress, buildings and buildings under capital lease, equipment and vehicles, and equipment under capital lease.

**Table A-4**
**Capital Assets**

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 |
| Land | $ 1,215,491 | $ 1,215,491 | $ 93,172 | $ 93,172 |
| Capital Assets Being Depreciated: | | | | |
| Infrastructure | 23,643,778 | 23,713,326 | | |
| Land Improvements | 188,998 | 188,998 | | |
| Buildings | 13,025,657 | 13,025,657 | 362,828 | 362,828 |
| Buildings Under Capital Lease | 3,460,000 | 3,460,000 | | |
| Equipment and Vehicles | 5,228,867 | 5,240,935 | 1,659,353 | 2,251,322 |
| Equipment Under Capital Lease | | 454,398 | | |
| Accumulated Depreciation | (15,381,665) | (16,603,228) | (256,550) | (460,165) |
| Total | $ 31,381,126 | $ 30,695,577 | $1,858,803 | $2,247,157 |

## Long-Term Debt

At September 30, 2017, as reflected on Exhibit 1, the County's outstanding debt for warrants payable was $11,195,000.00 and for capital leases was $2,055,917.02. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

**Table A-5**
**Outstanding Debt**

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 |
| Warrants Payable: | | | | |
| General Obligation Refunding Warrants, Series 2009 | $11,490,000 | $11,195,000 | $ | $ |
| Capital Leases | 1,850,000 | 2,055,917 | | |
| Compensated Absences | 147,651 | 151,921 | 25,116 | 27,217 |
| Other Postemployment Benefits | 1,519,789 | 1,658,590 | 121,806 | 162,236 |
| Landfill Closure | | | 812,507 | 796,507 |
| Net Pension Liability | 3,278,071 | 2,518,921 | 305,695 | 202,372 |
| Total | $18,285,511 | $17,580,349 | $1,265,124 | $1,188,332 |

## Economic Factors and Next Year's Budget

The County considers various economic factors in preparing the budget. Through the budget, the County Commission sets the direction of the county, allocates resources and establishes priorities. Lawrence County's main sources for revenues continue to be property taxes and sales taxes. Other sources of revenues to finance governmental operations come from fees and charges for services which include permits, licenses and court fees. With the departure of International Paper, it is a continuing struggle to fund the services provided to our citizens. Budgets will have to be monitored to control expenditures and level funding will be necessary for the 2018 fiscal year.

## Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or require additional information, please contact Heather Dyar, County Administrator, located at 12001 Alabama Highway 157, P O Box 307, Moulton, Alabama 35650, or call 256-974-0663.

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# *Basic Financial Statements*

# *Statement of Net Position*
# *September 30, 2017*

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash | $ 2,878,965.94 | $ 637,111.14 | $ 3,516,077.08 |
| Investments | 135,068.21 | 601,633.24 | 736,701.45 |
| Receivables (Note 4) | 582,852.80 | 183,118.34 | 765,971.14 |
| Due from External Parties | 287,958.66 | | 287,958.66 |
| Ad Valorem Taxes Receivable | 2,333,518.88 | | 2,333,518.88 |
| Internal Balances | (57,121.01) | 57,121.01 | |
| Inventories | 75,330.63 | | 75,330.63 |
| Total Current Assets | 6,236,574.11 | 1,478,983.73 | 7,715,557.84 |
| **Noncurrent Assets** | | | |
| Restricted Cash with Fiscal Agent | 165,719.16 | | 165,719.16 |
| Capital Assets (Note 5): | | | |
| Nondepreciable | 1,215,491.31 | 93,172.00 | 1,308,663.31 |
| Depreciable, Net | 29,480,086.37 | 2,153,985.96 | 31,634,072.33 |
| Total Capital Assets, Net | 30,695,577.68 | 2,247,157.96 | 32,942,735.64 |
| Total Noncurrent Assets | 30,861,296.84 | 2,247,157.96 | 33,108,454.80 |
| Total Assets | 37,097,870.95 | 3,726,141.69 | 40,824,012.64 |
| **Deferred Outflows of Resources** | | | |
| Employer Pension Contributions | 259,318.93 | 25,365.37 | 284,684.30 |
| Deferred Outflows Related to Net Pension Liability | 475,266.63 | 46,488.37 | 521,755.00 |
| Total Deferred Outflows of Resources | 734,585.56 | 71,853.74 | 806,439.30 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accounts Payable | 252,867.79 | 17,993.80 | 270,861.59 |
| Accrued Wages Payable | 108,077.46 | 12,804.70 | 120,882.16 |
| Accrued Interest Payable | 238,327.01 | | 238,327.01 |
| Unearned Revenue | 265,854.18 | | 265,854.18 |
| Due to External Parties | 40,218.45 | | 40,218.45 |
| Long-Term Liabilities: | | | |
| Portion Due or Payable Within One Year: | | | |
| Capital Leases Payable | 205,910.73 | | 205,910.73 |
| Warrants Payable | 305,000.00 | | 305,000.00 |
| Total Current Liabilities | $ 1,416,255.62 | $ 30,798.50 | $ 1,447,054.12 |

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 | $ 1,850,006.29 | $ | $ 1,850,006.29 |
| Warrants Payable | 10,890,000.00 | | 10,890,000.00 |
| Compensated Absences | 151,921.38 | 27,217.18 | 179,138.56 |
| Other Postemployment Benefits Liability | 1,658,590.40 | 162,235.60 | 1,820,826.00 |
| Landfill Closure/Post Closure | | 796,506.76 | 796,506.76 |
| Net Pension Liability | 2,518,920.79 | 202,372.21 | 2,721,293.00 |
| Total Noncurrent Liabilities | 17,069,438.86 | 1,188,331.75 | 18,257,770.61 |
| Total Liabilities | 18,485,694.48 | 1,219,130.25 | 19,704,824.73 |
| **Deferred Inflows of Resources** | | | |
| Unavailable Revenue - Property Taxes | 2,323,376.84 | | 2,323,376.84 |
| Deferred Inflows Related to Net Pension Liability | 1,414,675.07 | 138,376.93 | 1,553,052.00 |
| Revenue Received in Advance - Motor Vehicle Taxes and Forestry | 212,385.29 | | 212,385.29 |
| Total Deferred Inflows of Resources | 3,950,437.20 | 138,376.93 | 4,088,814.13 |
| **Net Position** | | | |
| Net Investment in Capital Assets | 17,444,660.66 | 2,247,157.96 | 19,691,818.62 |
| Restricted for: | | | |
| Capital Projects | 270,938.59 | | 270,938.59 |
| Road Projects | 1,171,193.96 | | 1,171,193.96 |
| Other Purposes | 1,471,429.01 | | 1,471,429.01 |
| Unrestricted | (4,961,897.39) | 193,330.29 | (4,768,567.10) |
| Total Net Position | $ 15,396,324.83 | $ 2,440,488.25 | $ 17,836,813.08 |

## *Statement of Activities*
## *For the Year Ended September 30, 2017*

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities | Net (Expenses) Revenues and Changes in Net Position: Primary Government: Business-Type Activities | Net (Expenses) Revenues and Changes in Net Position: Primary Government: Total |
|---|---|---|---|---|---|---|---|
| **Primary Government** | | | | | | | |
| **Governmental Activities:** | | | | | | | |
| General Government | $ 3,897,905.01 | $ 788,825.52 | $ 660,457.57 | $ 3,477.00 | $ (2,445,144.92) | $ | $ (2,445,144.92) |
| Public Safety | 4,859,413.95 | 1,095,350.92 | 740,005.74 | | (3,024,057.29) | | (3,024,057.29) |
| Highways and Roads | 3,634,801.08 | | 2,395,667.05 | 1,030,265.24 | (208,868.79) | | (208,868.79) |
| Sanitation | 7,056.16 | | | | (7,056.16) | | (7,056.16) |
| Health | 44,434.49 | | 100.00 | | (44,334.49) | | (44,334.49) |
| Welfare | 298,417.95 | | 54,275.00 | | (244,142.95) | | (244,142.95) |
| Culture and Recreation | 147,993.23 | 8,920.52 | 55,605.31 | | (83,467.40) | | (83,467.40) |
| Education | 44,569.92 | | | | (44,569.92) | | (44,569.92) |
| Interest on Long-Term Debt | 624,743.22 | | | | (624,743.22) | | (624,743.22) |
| Total Governmental Activities | 13,559,335.01 | 1,893,096.96 | 3,906,110.67 | 1,033,742.24 | (6,726,385.14) | | (6,726,385.14) |
| **Business-Type Activities:** | | | | | | | |
| Solid Waste | 2,139,773.93 | 2,224,056.02 | | | | 84,282.09 | 84,282.09 |
| Total Business-Type Activities | 2,139,773.93 | 2,224,056.02 | | | | 84,282.09 | 84,282.09 |
| Total Primary Government | $ 15,699,108.94 | $ 4,117,152.98 | $ 3,906,110.67 | $ 1,033,742.24 | (6,726,385.14) | 84,282.09 | (6,642,103.05) |
| **General Revenues:** | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes for General Purposes | | | | | 2,128,645.59 | | 2,128,645.59 |
| Property Taxes for Specific Purposes | | | | | 958,966.35 | | 958,966.35 |
| General Sales Tax | | | | | 1,455,081.41 | | 1,455,081.41 |
| TVA in Lieu of Taxes | | | | | 637,398.06 | | 637,398.06 |
| Miscellaneous Taxes | | | | | 187,235.57 | | 187,235.57 |
| Investment Earnings | | | | | 26,096.58 | 408.49 | 26,505.07 |
| Rental Income | | | | | | 17,535.00 | 17,535.00 |
| Miscellaneous | | | | | 1,006,551.06 | 15,554.75 | 1,022,105.81 |
| Transfers | | | | | 215,000.00 | (215,000.00) | |
| Total General Revenues and Transfers | | | | | 6,614,974.62 | (181,501.76) | 6,433,472.86 |
| Change in Net Position | | | | | (111,410.52) | (97,219.67) | (208,630.19) |
| Net Position - Beginning of Year | | | | | 15,507,735.35 | 2,537,707.92 | 18,045,443.27 |
| Net Position - End of Year | | | | | $ 15,396,324.83 | $ 2,440,488.25 | $ 17,836,813.08 |

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

***Balance Sheet***
***Governmental Funds***
***September 30, 2017***

| | General Fund | Gasoline Tax Fund | Reappraisal Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | $ 683,178.48 | $ 719,855.03 | $ 258,499.57 | $ 1,217,432.86 | $ 2,878,965.94 |
| Cash with Fiscal Agent | | | | 165,719.16 | 165,719.16 |
| Investments | 95,688.91 | 1,100.00 | | 38,279.30 | 135,068.21 |
| Ad Valorem Taxes Receivable | 1,896,513.06 | | 437,005.82 | | 2,333,518.88 |
| Receivables (Note 4) | 217,634.38 | 210,862.43 | | 154,355.99 | 582,852.80 |
| Due from Other Funds | 83,976.94 | 189,878.08 | 2,010.00 | 11,316.85 | 287,181.87 |
| Due from External Parties | 287,958.66 | | | | 287,958.66 |
| Inventories | 23,388.50 | 51,942.13 | | | 75,330.63 |
| Total Assets | 3,288,338.93 | 1,173,637.67 | 697,515.39 | 1,587,104.16 | 6,746,596.15 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | | |
| **Liabilities** | | | | | |
| Accounts Payable | 137,993.05 | 39,810.05 | | 75,064.69 | 252,867.79 |
| Due to Other Funds | 336,768.92 | 5,819.65 | | 1,714.31 | 344,302.88 |
| Due to External Parties | 35,310.29 | | | 4,908.16 | 40,218.45 |
| Accrued Wages Payable | 75,613.84 | 19,255.45 | 4,797.43 | 8,410.74 | 108,077.46 |
| Unearned Revenue | | | 265,854.18 | | 265,854.18 |
| Total Liabilities | 585,686.10 | 64,885.15 | 270,651.61 | 90,097.90 | 1,011,320.76 |
| **Deferred Inflows of Resources** | | | | | |
| Unavailable Revenue - Property Taxes | 1,896,513.06 | | 426,863.78 | | 2,323,376.84 |
| Revenue Received in Advance - | | | | | |
| Motor Vehicle Taxes and Forestry | 212,385.29 | | | | 212,385.29 |
| Total Deferred Inflows of Resources | 2,108,898.35 | | 426,863.78 | | 2,535,762.13 |
| **Fund Balances** | | | | | |
| Nonspendable: | | | | | |
| Inventories | 23,388.50 | 51,942.13 | | | 75,330.63 |
| Restricted for: | | | | | |
| Highways and Roads | | 1,056,810.39 | | 62,441.44 | 1,119,251.83 |
| Capital Projects | | | | 270,938.59 | 270,938.59 |
| Other Purposes | 307,802.78 | | | 1,163,626.23 | 1,471,429.01 |
| Unassigned | 262,563.20 | | | | 262,563.20 |
| Total Fund Balances | 593,754.48 | 1,108,752.52 | | 1,497,006.26 | 3,199,513.26 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 3,288,338.93 | $ 1,173,637.67 | $ 697,515.39 | $ 1,587,104.16 | $ 6,746,596.15 |

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

# *Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position*
# *September 30, 2017*

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds (Exhibit 3) | | $ 3,199,513.26 |
| 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. | | 30,695,577.68 |
| Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of: | | |

| | Current Liabilities | Noncurrent Liabilities | |
|---|---|---|---|
| Accrued Interest Payable | $ 238,327.01 | $ | |
| Capital Leases Payable | 205,910.73 | 1,850,006.29 | |
| Warrants Payable | 305,000.00 | 10,890,000.00 | |
| Net Pension Liability | | 2,518,920.79 | |
| Compensated Absences | | 151,921.38 | |
| Other Postemployment Benefits Liability | | 1,658,590.40 | |
| Total Long-Term Liabilities | $ 749,237.74 | $ 17,069,438.86 | (17,818,676.60) |

| | | |
|---|---|---|
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. | | |
| Employer Pension Contributions | $ 259,318.93 | |
| Deferred Inflows Related to Net Pension Liability | (1,414,675.07) | |
| Deferred Outflows Related to Net Pension Liability | 475,266.63 | |
| | | (680,089.51) |
| Total Net Position - Governmental Activities (Exhibit 1) | | $ 15,396,324.83 |

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, 2017*

| | General Fund | Gasoline Tax Fund | Reappraisal Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes | $ 4,181,369.67 | $ | $ 430,571.80 | $ | $ 4,611,941.47 |
| Licenses and Permits | 205,875.73 | | | | 205,875.73 |
| Intergovernmental | 1,513,701.85 | 3,390,721.21 | | 790,790.36 | 5,695,213.42 |
| Charges for Services | 566,990.79 | | | 1,120,230.44 | 1,687,221.23 |
| Miscellaneous | 898,903.52 | 19,348.52 | | 114,420.60 | 1,032,672.64 |
| Total Revenues | 7,366,841.56 | 3,410,069.73 | 430,571.80 | 2,025,441.40 | 13,232,924.49 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General Government | 2,794,162.35 | | 430,571.80 | 110,572.14 | 3,335,306.29 |
| Public Safety | 3,452,322.15 | | | 1,204,604.05 | 4,656,926.20 |
| Highways and Roads | 4,004.23 | 3,182,232.99 | | | 3,186,237.22 |
| Sanitation | 7,056.16 | | | | 7,056.16 |
| Health | 43,512.57 | | | | 43,512.57 |
| Welfare | 288,052.22 | | | 9,379.02 | 297,431.24 |
| Culture and Recreation | 146,644.36 | | | 1,529.35 | 148,173.71 |
| Education | 44,569.92 | | | | 44,569.92 |
| Capital Outlay | 21,923.31 | 468,698.00 | | 78,148.45 | 568,769.76 |
| Debt Service: | | | | | |
| Principal Retirement | | 43,510.91 | | 425,000.00 | 468,510.91 |
| Interest and Fiscal Charges | | | | 622,624.54 | 622,624.54 |
| Total Expenditures | 6,802,247.27 | 3,694,441.90 | 430,571.80 | 2,451,857.55 | 13,379,118.52 |
| Excess (Deficiency) of Revenues Over Expenditures | 564,594.29 | (284,372.17) | | (426,416.15) | (146,194.03) |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers In | 637,142.39 | 74,608.14 | | 878,293.43 | 1,590,043.96 |
| Proceeds from Capital Leases | | 379,427.93 | | | 379,427.93 |
| Transfers Out | (874,821.13) | | | (500,222.83) | (1,375,043.96) |
| Total Other Financing Sources (Uses) | (237,678.74) | 454,036.07 | | 378,070.60 | 594,427.93 |
| Net Change in Fund Balances | 326,915.55 | 169,663.90 | | (48,345.55) | 448,233.90 |
| Fund Balances - Beginning of Year | 266,838.93 | 939,088.62 | | 1,545,351.81 | 2,751,279.36 |
| Fund Balances - End of Year | $ 593,754.48 | $ 1,108,752.52 | $ | $ 1,497,006.26 | $ 3,199,513.26 |

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

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# *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2017*

| | | |
|---|---|---|
| Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) | | $ 448,233.90 |
| Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because: | | |
| Proceeds from the issuance of debt is reported as financing sources in governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities. | | |
| Proceeds of Capital Lease | | (379,427.93) |
| 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 ($568,769.76) was exceeded by depreciation expense ($1,254,318.48) in the current period. | | (685,548.72) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | 468,510.91 |
| 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 Increase in Accrued Interest Payable | $ (2,118.68) | |
| Net Increase in Compensated Absences | (4,270.66) | |
| Net Decrease in Pension Expense | 182,012.41 | |
| Net Increase in OPEB Liability | (138,801.75) | |
| Total Additional Expenditures | | 36,821.32 |
| Change in Net Position of Governmental Activities (Exhibit 2) | | $ (111,410.52) |

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

# *Statement of Net Position*
# *Proprietary Fund*
# *September 30, 2017*

| | Enterprise Fund Solid Waste Fund | Total Enterprise Fund |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash | $ 637,111.14 | $ 637,111.14 |
| Investments | 601,633.24 | 601,633.24 |
| Accounts Receivable | 183,118.34 | 183,118.34 |
| Due from Other Funds | 135,000.00 | 135,000.00 |
| Total Current Assets | 1,556,862.72 | 1,556,862.72 |
| **Noncurrent Assets** | | |
| Capital Assets (Note 5): | | |
| Nondepreciable | 93,172.00 | 93,172.00 |
| Depreciable, Net | 2,153,985.96 | 2,153,985.96 |
| Total Noncurrent Assets | 2,247,157.96 | 2,247,157.96 |
| Total Assets | 3,804,020.68 | 3,804,020.68 |
| **Deferred Outflows of Resources** | | |
| Employer Pension Contributions | 25,365.37 | 25,365.37 |
| Deferred Outflows Related to Net Pension Liability | 46,488.37 | 46,488.37 |
| Total Deferred Outflows of Resources | 71,853.74 | 71,853.74 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Accounts Payable | 17,993.80 | 17,993.80 |
| Due to Other Funds | 77,878.99 | 77,878.99 |
| Accrued Wages Payable | 12,804.70 | 12,804.70 |
| Total Current Liabilities | 108,677.49 | 108,677.49 |
| **Noncurrent Liabilities** | | |
| Compensated Absences | 27,217.18 | 27,217.18 |
| Other Postemployment Benefits Liability | 162,235.60 | 162,235.60 |
| Net Pension Liability | 202,372.21 | 202,372.21 |
| Estimated Liability for Landfill Postclosure Care Costs | 796,506.76 | 796,506.76 |
| Total Noncurrent Liabilities | 1,188,331.75 | 1,188,331.75 |
| Total Liabilities | $ 1,297,009.24 | $ 1,297,009.24 |

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

| | Enterprise Fund Solid Waste Fund | Total Enterprise Fund |
|---|---|---|
| **Deferred Inflows of Resources** | | |
| Deferred Inflows Related to Net Pension Liability | $ 138,376.93 | $ 138,376.93 |
| Total Deferred Inflows of Resources | 138,376.93 | 138,376.93 |
| **Net Position** | | |
| Net Investment in Capital Assets | 2,247,157.96 | 2,247,157.96 |
| Unrestricted | 193,330.29 | 193,330.29 |
| Total Net Position | $ 2,440,488.25 | $ 2,440,488.25 |

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# *Statement of Revenues, Expenses and Changes in Fund Net Position*
# *Proprietary Fund*
# *For the Year Ended September 30, 2017*

| | Enterprise Fund Solid Waste Fund | Total Enterprise Fund |
|---|---|---|
| **Operating Revenues** | | |
| Landfill Fees | $ 2,224,056.02 | $ 2,224,056.02 |
| Total Operating Revenues | 2,224,056.02 | 2,224,056.02 |
| **Operating Expenses** | | |
| Salaries and Benefits | 756,078.91 | 756,078.91 |
| Contractual and Professional Services | 325,503.94 | 325,503.94 |
| Materials and Supplies | 594,315.45 | 594,315.45 |
| Operating Leases | 18,725.77 | 18,725.77 |
| Repairs and Maintenance | 71,420.08 | 71,420.08 |
| Utilities | 28,632.13 | 28,632.13 |
| Communications | 8,509.17 | 8,509.17 |
| Travel | 8,159.70 | 8,159.70 |
| Insurance | 124,814.26 | 124,814.26 |
| Depreciation | 203,614.52 | 203,614.52 |
| Total Operating Expenses | 2,139,773.93 | 2,139,773.93 |
| Operating Income (Loss) | 84,282.09 | 84,282.09 |
| **Nonoperating Revenues (Expenses)** | | |
| Interest Revenue | 408.49 | 408.49 |
| Rental of Buildings and Land | 17,535.00 | 17,535.00 |
| Insurance Refunds | 2,000.00 | 2,000.00 |
| Other Revenue | 13,554.75 | 13,554.75 |
| Total Nonoperating Revenues (Expenses) | 33,498.24 | 33,498.24 |
| Income (Loss) Before Transfers | 117,780.33 | 117,780.33 |
| **Operating Transfers** | | |
| Transfers Out | (215,000.00) | (215,000.00) |
| Changes in Net Position | (97,219.67) | (97,219.67) |
| Net Position - Beginning of Year | 2,537,707.92 | 2,537,707.92 |
| Net Position - End of Year | $ 2,440,488.25 | $ 2,440,488.25 |

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, 2017*

| | Enterprise Fund Solid Waste Fund | Total Enterprise Fund |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Receipts from Customers | $ 2,220,440.58 | $ 2,220,440.58 |
| Payments to Suppliers | (1,118,063.83) | (1,118,063.83) |
| Payments to Employees | (757,265.35) | (757,265.35) |
| Net Cash Provided (Used) by Operating Activities | 345,111.40 | 345,111.40 |
| **Cash Flows from Noncapital Financing Activities** | | |
| Rental of Buildings and Land | 17,535.00 | 17,535.00 |
| Insurance Refunds | 2,000.00 | 2,000.00 |
| Other Revenue | 13,554.75 | 13,554.75 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 33,089.75 | 33,089.75 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Purchase of Capital Assets | (591,969.05) | (591,969.05) |
| Payments from General Fund | 75,000.00 | 75,000.00 |
| Transfers Out | (215,000.00) | (215,000.00) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (731,969.05) | (731,969.05) |
| **Cash Flows from Investing Activities** | | |
| Interest Received | 408.49 | 408.49 |
| Net Cash Provided (Used) by Investing Activities | 408.49 | 408.49 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (353,359.41) | (353,359.41) |
| Cash - Beginning of Year | 990,470.55 | 990,470.55 |
| Cash - End of Year | $ 637,111.14 | $ 637,111.14 |

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) | $ 84,282.09 | $ 84,282.09 |
| **Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities** | | |
| Change in Assets and Liabilities: | | |
| Receivables | (3,615.44) | (3,615.44) |
| Accrued Wages Payable | 2,683.26 | 2,683.26 |
| Depreciation Expense | 203,614.52 | 203,614.52 |
| Compensated Absences | 2,101.64 | 2,101.64 |
| Landfill Postclosure | (16,000.00) | (16,000.00) |
| Payables | 78,016.67 | 78,016.67 |
| Pension Contributions | 6,700.38 | 6,700.38 |
| Proportionate Share of Pension Liability | (6,773.63) | (6,773.63) |
| Other Postemployment Benefits | 40,429.25 | 40,429.25 |
| Deferred Outflows | 56,995.78 | 56,995.78 |
| Net Pension Liability | (103,323.12) | (103,323.12) |
| Total Adjustments | 260,829.31 | 260,829.31 |
| Net Cash Provided by Operating Activities | $ 345,111.40 | $ 345,111.40 |

# *Statement of Fiduciary Net Position*
# *September 30, 2017*

| | Private-Purpose Trust Funds | Agency Funds |
|---|---|---|
| **Assets** | | |
| Cash | $ 1,249,660.10 | $ 672,251.58 |
| Investments | 20,795.00 | |
| Accounts Receivable | | 458,394.20 |
| Due from Other Governments | 2,409.73 | 139,076.80 |
| Due from External Parties | 14,014.07 | 39,609.37 |
| Total Assets | 1,286,878.90 | 1,309,331.95 |
| **Liabilities** | | |
| Accounts Payable | 342.18 | 173,851.71 |
| Due to Other Governments | | 834,116.59 |
| Due to External Parties | | 301,363.65 |
| Total Liabilities | 342.18 | $ 1,309,331.95 |
| **Net Position** | | |
| Held in Trust for Other Purposes | 1,286,536.72 | |
| Total Net Position | $ 1,286,536.72 | |

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, 2017*

| | Private-Purpose Trust Funds |
|---|---|
| **Additions** | |
| Contributions from: | |
| Court Fees | $ 23,254.81 |
| District Attorney Fees | 61,675.98 |
| Law Library Fees | 24,751.19 |
| Community Development | 131,496.07 |
| Probate Judge | 15,218.12 |
| Miscellaneous | 175,965.31 |
| Interest | 20.01 |
| Total Additions | 432,381.49 |
| **Deductions** | |
| Administrative Expenses: | |
| General Government | 320,518.23 |
| Public Safety | 189,029.45 |
| Community Development | 92,707.00 |
| District Attorney's Office | 298,403.77 |
| Total Deductions | 900,658.45 |
| Changes in Net Position | (468,276.96) |
| Net Position - Beginning of Year | 1,754,813.68 |
| Net Position - End of Year | $ 1,286,536.72 |

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 units are 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. Also, this fund is used to account for 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 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 postclosure 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 nonoperating 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 are both restricted and unrestricted net assets 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

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.

Sales tax receivables are based on the amounts collected within 60 days after year-end.

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

## 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.

## 5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the 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, 2017, 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 and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

### 10. 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. Investments in 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, 2017, the Commission had the following investments held by fiscal agents:

| Investments | Maturities | Fair Value | Fair Value Hierarchy |
|---|---|---|---|
| Dreyfus Government Cash Management | Less Than One Year | $165,719.16 | Level 1 |
| Total | | $165,719.16 | |

***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, 2017, 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 | $ 3,187.78 | $ | $ | $ 3,187.78 |
| Due from Other Governments | 214,446.60 | 210,862.43 | 154,355.99 | 579,665.02 |
| Total Receivables | $217,634.38 | $210,862.43 | $154,355.99 | $582,852.80 |

| | Solid Waste Fund | Total Enterprise Fund |
|---|---|---|
| Proprietary Funds: | | |
| Receivables: | | |
| Accounts Receivable | $183,118.34 | $183,118.34 |
| Total Receivables | $183,118.34 | $183,118.34 |

| | Private-Purpose Trust Funds | Agency Funds |
|---|---|---|
| Trust and Agency Funds: | | |
| Receivables: | | |
| Accounts Receivable | $ | $458,394.20 |
| Due from Other Governments | 2,409.73 | 139,076.80 |
| Total Receivables | $2,409.73 | $597,471.00 |

### *Note 5 – Capital Assets*

Capital asset activity for governmental activities for the year ended September 30, 2017, was as follows:

| | Balance 10/01/2016 | Additions | Retirements | Balance 09/30/2017 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 1,215,491.31 | $ | $ | $ 1,215,491.31 |
| Total Capital Assets Not Being Depreciated | 1,215,491.31 | | | 1,215,491.31 |
| Capital Assets Being Depreciated: | | | | |
| Infrastructure | 23,643,777.77 | 69,548.45 | | 23,713,326.22 |
| 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 | 5,228,866.65 | 44,823.31 | (32,754.39) | 5,240,935.57 |
| Equipment Under Capital Lease | | 454,398.00 | | 454,398.00 |
| Total Capital Assets Being Depreciated | 45,547,299.93 | 568,769.76 | | 46,083,315.30 |
| Less Accumulated Depreciation for: | | | | |
| Infrastructure | (6,336,997.22) | (610,702.39) | | (6,947,699.61) |
| Land Improvements | (103,680.17) | | | (103,680.17) |
| Buildings | (3,338,009.81) | (304,998.40) | | (3,643,008.21) |
| Buildings Under Capital Lease | (1,513,750.00) | (86,500.00) | | (1,600,250.00) |
| Equipment and Vehicles | (4,089,227.64) | (229,397.79) | 32,754.39 | (4,285,871.04) |
| Equipment Under Capital Lease | | (22,719.90) | | (22,719.90) |
| Total Accumulated Depreciation | (15,381,664.84) | (1,254,318.48) | | (16,603,228.93) |
| Total Capital Assets, Being Depreciated, Net | 30,165,635.09 | (685,548.72) | | 29,480,086.37 |
| Total Governmental Activities Capital Assets, Net | $ 31,381,126.40 | $ (685,548.72) | $ | $ 30,695,577.68 |

Capital asset activity for business-type activities for the year ended September 30, 2017, was as follows:

| | Balance 10/01/2016 | Additions | Retirements | Balance 09/30/2017 |
|---|---|---|---|---|
| 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 Furniture | 1,659,353.48 | 591,969.05 | | 2,251,322.53 |
| Total Capital Assets Being Depreciated | 2,022,181.48 | 591,969.05 | | 2,614,150.53 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | (22,676.75) | (9,070.70) | | (31,747.45) |
| Equipment and Furniture | (233,873.30) | (194,543.82) | | (428,417.12) |
| Total Accumulated Depreciation | (256,550.05) | (203,614.52) | | (460,164.57) |
| Total Capital Assets Being Depreciated, Net | 1,765,631.43 | 388,354.53 | | 2,153,985.96 |
| Total Business-Type Activities Capital Assets, Net | $1,858,803.43 | $ 388,354.53 | $ | $2,247,157.96 |

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

| | Current Year Depreciation Expense |
|---|---|
| Governmental Activities: | |
| General Government | $ 576,215.32 |
| Public Safety | 222,021.09 |
| Highway and Roads | 452,565.65 |
| Welfare | 1,635.82 |
| Culture and Recreation | 1,880.60 |
| Total Depreciation Expense – Governmental Activities | $1,254,318.48 |

| | Current Year Depreciation Expense |
|---|---|
| Business-Type Activities: | |
| Solid Waste | $203,614.52 |
| Total Depreciation Expense – Business-Type Activities | $203,614.52 |

## Note 6 – Defined Benefit Pension Plan

### A. General Information about the Pension Plan

### Plan Description

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan (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 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 23,007 |
| Terminated employees entitled to but not yet receiving benefits | 1,155 |
| Terminated employees not entitled to a benefit | 6,654 |
| Active members | 55,058 |
| Total | 85,874 |

***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, 2017, the Commission's active employee contribution rate was 7.32% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 6.24% of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2017, was 6.41% of pensionable pay for Tier 1 employees, and 5.65% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 $284,684.30 for the year ended September 30, 2017.

## B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, rolled forward to September 30, 2016, using standard roll-forward techniques as shown in the following table:

| | | Total Pension Liability Roll-Forward | | |
|---|---|---|---|---|
| | | Expected | Actual – 2015 Valuation Assumption | Actual – 2016 Valuation Assumption |
| (a) | Total Pension Liability as of September 30, 2015 | $17,917,690 | $16,992,397 | $17,487,629 |
| (b) | Discount Rate | 8.00% | 8.00% | 7.75% |
| (c) | Entry Age Normal Cost for the period October 1, 2015 – September 30, 2016 | 434,321 | 434,321 | 422,749 |
| (d) | Transfers Among Employers: | | 22,165 | 22,165 |
| (e) | Actual Benefit Payments and Refunds for the period October 1,2015 – September 30, 2016 | (947,288) | (947,288) | (947,288) |
| (f) | Total Pension Liability as of September 30, 2016 =[(a) x (1+(b))] + (c) + (d) + [(e) x (1+.05*(b))] | $18,800,247 | $17,823,095 | $18,303,839 |
| (g) | Difference Between Expected and Actual | | $ (977,152) | |
| (h) | Less Liability Transferred for Immediate Recognition: | | 22,165 | |
| (i) | Experience (Gain)/Loss = (g)-(h) | | $ (999,317) | |
| (j) | Difference Between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss | | | $ 480,744 |

## Actuarial Assumptions

The total pension liability as of September 30, 2016, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

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

(*) Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2015, 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 | 17.00% | 4.40% |
| U. S. Large Stocks | 32.00% | 8.00% |
| U. S. Mid Stocks | 9.00% | 10.00% |
| U. S. Small Stocks | 4.00% | 11.00% |
| International Developed Market Stocks | 12.00% | 9.50% |
| International Emerging Market Stocks | 3.00% | 11.00% |
| Alternatives | 10.00% | 10.10% |
| Real Estate | 10.00% | 7.50% |
| Cash | 3.00% | 1.50% |
| Total | 100.00% | |

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

***Discount Rate***

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

***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, 2015 | $17,917,690 | $14,333,923 | $ 3,583,767 |
| Changes for the Year: | | | |
| Service Cost | 434,321 | | 434,321 |
| Interest | 1,395,524 | | 1,395,524 |
| Changes of Assumptions | 480,744 | | 480,744 |
| Difference between Expected and Actual Experience | (999,317) | | (999,317) |
| Contributions – Employer | | 358,040 | (358,040) |
| Contributions – Employee | | 366,152 | (366,152) |
| Net Investment Income | | 1,449,554 | (1,449,554) |
| Benefit Payments, including Refunds of Employee Contributions | (947,288) | (947,288) | |
| Transfers among Employers | 22,165 | 22,165 | |
| Net Changes | 386,149 | 1,248,623 | (862,474) |
| Balances at September 30, 2016 | $18,303,839 | $15,582,546 | $ 2,721,293 |

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|---|---|---|
| Commission's Net Pension Liability | $4,703,925 | $2,721,293 | $1,045,525 |

***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, 2016. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017, 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, 2017, the Commission recognized pension expense of $38,394.00. At September 30, 2017, 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 | $ | $1,553,052 |
| Changes in Assumptions | 394,897 | |
| Net difference between projected and actual earnings on pension plan investments | 126,858 | |
| Employer contributions subsequent to the measurement date | 284,684 | |
| Total | $806,439 | $1,553,052 |

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, 2018 | $(286,622) |
| 2019 | $(286,620) |
| 2020 | $(181,151) |
| 2021 | $(221,341) |
| 2022 | $ (55,563) |
| Thereafter | $ 0 |

## *Note 7 – Other Postemployment Benefits (OPEB)*

### *A. Plan Description*

The Lawrence County 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, 2017. The Commission does not anticipate setting up a trust fund to fund its postemployment medical insurance plans.

The Commission contributes 74 percent of the cost of current-year premiums for eligible retirees' medical insurance premiums for family coverage and 78 percent for single coverage. For fiscal year 2017, the Commission contributed $137,797 to cover approximately 14 participants. Plan members receiving benefits contribute 26 percent for family coverage cost and 22 percent for single coverage costs. For fiscal year 2017, total retired member contributions were $39,354.

### C. Annual OPEB Cost

For fiscal year 2017, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical insurance was $317,028. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 09/30/2017 | $317,028 | 43.5% | $1,820,826 |
| 09/30/2016 | $317,028 | 32.9% | $1,641,595 |
| 09/30/2015 | $298,885 | 38.5% | $1,428,753 |

### D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2017, 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 10.5 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 an open 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, 2017.

| Fiscal Year Ending | Governmental Activities |
|---|---|
| September 30, 2018 | $ 303,229.37 |
| 2019 | 306,479.37 |
| 2020 | 304,229.37 |
| 2021 | 306,729.37 |
| 2022 | 260,219.46 |
| 2023-2027 | 1,114,001.00 |
| Total Minimum Lease Payments | 2,594,887.94 |
| Less: Amount Representing Interest | (538,970.92) |
| Present Value of Net Minimum Lease Payments | $2,055,917.02 |

***Note 9 – Long-Term Debt***

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

During fiscal year 2017, the Commission entered into two capital leases for purchase of road equipment.

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 following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2017:

| | Debt Outstanding 10/01/2016 | Issued/ Increased | Repaid/ (Decreased) | Debt Outstanding 09/30/2017 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Capital Lease Contracts Payable | $ 1,850,000.00 | $379,427.93 | $ (173,510.91) | $ 2,055,917.02 | $205,910.73 |
| Total Leases Payable | 1,850,000.00 | 379,427.93 | (173,510.91) | 2,055,917.02 | 205,910.73 |
| Warrants and Notes Payable: | | | | | |
| General Obligation Warrants, 2009-A | 9,690,000.00 | | (250,000.00) | 9,440,000.00 | 255,000.00 |
| General Obligation Warrants, 2009-B | 1,800,000.00 | | (45,000.00) | 1,755,000.00 | 50,000.00 |
| Total Warrants Payable | 11,490,000.00 | | (295,000.00) | 11,195,000.00 | 305,000.00 |
| Other Liabilities: | | | | | |
| Other Postemployment Benefits | 1,519,788.65 | 138,801.75 | | 1,658,590.40 | |
| Net Pension Liability | 3,278,071.67 | | (759,150.88) | 2,518,920.79 | |
| Estimated Liability for Compensated Absences | 147,650.72 | 4,270.66 | | 151,921.38 | |
| Total Other Liabilities | 4,945,511.04 | 143,072.41 | (759,150.88) | 4,329,432.57 | |
| Governmental Activities Long-Term Liabilities | $18,285,511.04 | $522,500.34 | $(1,227,661.79) | $17,580,349.59 | $510,910.73 |

| | Debt Outstanding 10/1/2016 | Issued/ Increased | Repaid/ (Decreased) | Debt Outstanding 9/30/2017 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Business-Type Activities: | | | | | |
| Other Liabilities: | | | | | |
| Other Postemployment Benefits | $ 121,806.35 | $40,429.25 | $ | $ 162,235.60 | $ |
| Net Pension Liability | 305,695.33 | | (103,323.12) | 202,372.21 | |
| Estimated Liability for Landfill Postclosure Costs | 812,506.76 | | (16,000.00) | 796,506.76 | |
| Estimated Liability for Compensated Absences | 25,115.54 | 2,101.64 | | 27,217.18 | |
| Total Other Liabilities | 1,265,123.98 | 42,530.89 | (119,323.12) | 1,188,331.75 | |
| Business-Type Activities Long-Term Liabilities | $1,265,123.98 | $42,530.89 | $(119,323.12) | $1,188,331.75 | $ |

Payments on the general obligation refunding warrants are made by the Debt Service Fund. The capital leases liabilities are paid by the Jail Fund and the Gasoline Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's funds. In the past, approximately 79 percent has been paid by the General Fund and 20 percent by 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, 2018 | $ 305,000.00 | $ 514,025.00 | $ 205,910.73 | $ 97,318.64 | $ 1,122,254.37 |
| 2019 | 315,000.00 | 502,643.75 | 218,314.82 | 88,164.55 | 1,124,123.12 |
| 2020 | 330,000.00 | 490,112.50 | 225,800.64 | 78,428.73 | 1,124,341.87 |
| 2021 | 340,000.00 | 476,737.50 | 238,370.98 | 68,358.39 | 1,123,466.87 |
| 2022 | 350,000.00 | 462,643.75 | 202,518.85 | 57,700.61 | 1,072,863.21 |
| 2023-2027 | 1,975,000.00 | 2,071,278.13 | 965,001.00 | 149,000.00 | 5,160,279.13 |
| 2028-2032 | 2,415,000.00 | 1,574,309.40 | | | 3,989,309.40 |
| 2033-2037 | 3,005,000.00 | 925,593.75 | | | 3,930,593.75 |
| 2038-2040 | 2,160,000.00 | 165,887.50 | | | 2,325,887.50 |
| Total | $11,195,000.00 | $7,183,231.28 | $2,055,917.02 | $538,970.92 | $20,973,119.22 |

***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 $2,227,250.00 are pledged to repay the principal and interest on the warrants as of September 30, 2017. Proceeds from jail fees in the amount of $202,795.13 were received by the Commission during the fiscal year ended September 30, 2017. This along with transfers in were used to pay principal and interest on the warrants of $222,500.00. 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 $18,378,231.28 are pledged to repay the principal and interest on the warrants as of September 30, 2017. Sales tax proceeds in the amount of $512,676.96 were received by the Commission during the fiscal year ended September 30, 2017. This amount along with additional funds received from the General Fund was used to pay principal and interest of $819,687.50. The 2009-A and 2009-B General Obligation Warrants will mature in fiscal year 2040.

The Commission obtained two capital leases to purchase road equipment during the prior fiscal year. The Commission will pay the leases from the Gasoline Tax Fund. Future revenues of $367,637.94 are pledged to repay the principal and interest on the leases as of September 30, 2017. Principal payments of $43,510.91 were paid for the current fiscal year.

## Note 10 – 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 $796,506.76, as of September 30, 2017, 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 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to $1,000,000 per claim for a maximum total coverage of $3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to $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 NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per $100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission 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 12 – Interfund Transactions

### Due To/From Other Funds

The amounts due to/from other funds at September 30, 2017, were reported as follows:

| | Due to Other Funds | | | | |
|---|---|---|---|---|---|
| | General Fund | Gasoline Tax Fund | Other Governmental Funds | Solid Waste Fund | Totals |
| Due from Other Funds: | | | | | |
| Governmental Funds: | | | | | |
| General Fund | $ | $5,819.65 | $ 278.30 | $77,878.99 | $ 83,976.94 |
| Gasoline Tax Fund | 189,878.08 | | | | 189,878.08 |
| Reappraisal Fund | 2,010.00 | | | | 2,010.00 |
| Other Governmental Funds | 9,880.84 | | 1,436.01 | | 11,316.85 |
| Proprietary Funds: | | | | | |
| Solid Waste Fund | 135,000.00 | | | | 135,000.00 |
| Total | $336,768.92 | $5,819.65 | $1,714.31 | $77,878.99 | $422,181.87 |

### Due To/From External Parties

| | Due to External Parties | | | |
|---|---|---|---|---|
| | General Fund | Other Governmental Funds | Agency Funds | Totals |
| Due from External Parties: | | | | |
| General Fund | $ | $ | $287,958.66 | $287,958.66 |
| Agency Funds | 35,310.29 | 4,299.08 | | 39,609.37 |
| Private-Purpose Trust Funds | | 609.08 | 13,404.99 | 14,014.07 |
| Totals | $35,310.29 | $4,908.16 | $301,363.65 | $341,582.10 |

### *Interfund Transfers*

The amounts of interfund transfers during the fiscal year ended September 30, 2017, were as follows:

| | Transfers In | | | |
|---|---|---|---|---|
| | General Fund | Gasoline Tax Fund | Other Governmental Funds | Totals |
| Transfers Out: | | | | |
| General Fund | $ | $ | $874,821.13 | $ 874,821.13 |
| Other Governmental Funds | 422,142.39 | 74,608.14 | 3,472.30 | 500,222.83 |
| Sub-Total | 422,142.39 | 74,608.14 | 878,293.43 | 1,375,043.96 |
| Solid Waste Fund | 215,000.00 | | | 215,000.00 |
| Totals | $637,142.39 | $74,608.14 | $878,293.43 | $1,590,043.96 |

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 13 – Related Organizations*

A majority of the Boards of the organizations listed below are appointed by the Lawrence County Commission. The County, 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 14 – 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.

# *Required Supplementary Information*

# *Schedule of Changes in the Net Pension Liability*
# *For the Year Ended September 30, 2017*

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Total pension liability** | | | |
| Service cost | $ 434,321 | $ 481,189 | $ 476,667 |
| Interest | 1,395,524 | 1,418,586 | 1,353,223 |
| Changes in assumptions | 480,744 | | |
| Difference between expected and actual experience | (999,317) | (1,175,932) | |
| Benefit payments, including refunds of employee contributions | (947,288) | (1,076,956) | (948,744) |
| Transfers Among Employers | 22,165 | | |
| Net change in total pension liability | 386,149 | (353,113) | 881,146 |
| Total pension liability - beginning | 17,917,690 | 18,270,803 | 17,389,657 |
| Total pension liability - ending (a) | $ 18,303,839 | $ 17,917,690 | $ 18,270,803 |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 358,040 | $ 328,113 | $ 340,863 |
| Contributions - employee | 366,152 | 377,717 | 402,311 |
| Net investment income | 1,449,554 | 170,201 | 1,582,432 |
| Benefit payments, including refunds of employee contributions | (947,288) | (1,076,956) | (948,744) |
| Other (Transfers among employers) | 22,165 | 6,041 | (278,656) |
| Net change in plan fiduciary net position | 1,248,623 | (194,884) | 1,098,206 |
| Plan fiduciary net positions - beginning | 14,333,923 | 14,528,807 | 13,430,601 |
| Plan fiduciary net positions - ending (b) | $ 15,582,546 | $ 14,333,923 | $ 14,528,807 |
| Commission's net pension liability - ending (a) - (b) | $ 2,721,293 | $ 3,583,767 | $ 3,741,996 |
| Plan fiduciary net position as a percentage of the total pension liability | 85.13% | 80.00% | 79.52% |
| Covered payroll (*) | $ 4,831,633 | $ 4,982,326 | $ 5,168,944 |
| Commission's net pension liability as a percentage of covered payroll | 56.32% | 71.93% | 72.39% |

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2017, the measurement period is October 1, 2015 through September 30, 2016. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for fiscal year 2017.

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

## *Schedule of the Employer's Contributions*
## *For the Year Ended September 30, 2017*

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Actuarially determined contribution (*) | $ 284,684 | $ 358,040 | $ 328,113 | $ 340,863 |
| Contributions in relation to the actuarially determined contribution (*) | $ 284,684 | $ 358,040 | $ 328,113 | $ 340,863 |
| Contribution deficiency (excess) | $ | $ | $ | $ |
| Covered payroll (**) | $ 4,564,499 | $ 4,831,633 | $ 4,982,326 | $ 5,168,944 |
| Contributions as a percentage of covered payroll | 6.24% | 7.41% | 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 2017 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 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 23 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 3.00% |
| Salary increases | 3.75 - 7.25%, including inflation |
| Investment rate of return | 8.00%, net of pension plan investment expense, including inflation |

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

## *Schedule of Revenues, Expenditures and Changes in Fund Balances*
## *Budget and Actual - General Fund*
## *For the Year Ended September 30, 2017*

| | Budgeted Amounts | | Actual Amounts | | Budget to GAAP | Actual Amounts |
|---|---|---|---|---|---|---|
| | Original | Final | Budgetary Basis | | Differences | GAAP Basis |
| **Revenues** | | | | | | |
| Taxes | $ 3,304,418.00 | $ 3,304,418.00 | $ 3,116,598.78 | (1) | $ 1,064,770.89 | $ 4,181,369.67 |
| Licenses and Permits | 56,600.00 | 56,600.00 | 199,876.29 | (1) | 5,999.44 | 205,875.73 |
| Intergovernmental | 1,850,822.00 | 1,850,822.00 | 1,459,426.85 | (1) | 54,275.00 | 1,513,701.85 |
| Charges for Services | 696,850.00 | 696,850.00 | 566,990.79 | | | 566,990.79 |
| Miscellaneous | 275,750.00 | 275,750.00 | 610,154.77 | (1) | 288,748.75 | 898,903.52 |
| Total Revenues | 6,184,440.00 | 6,184,440.00 | 5,953,047.48 | (1) | 1,413,794.08 | 7,366,841.56 |
| **Expenditures** | | | | | | |
| Current: | | | | | | |
| General Government | 2,274,172.94 | 2,274,172.94 | 2,220,203.39 | (2) | 573,958.96 | 2,794,162.35 |
| Public Safety | 3,438,083.47 | 3,438,083.47 | 3,452,322.15 | | | 3,452,322.15 |
| Highways and Roads | | | 4,004.23 | | | 4,004.23 |
| Sanitation | | | 7,056.16 | | | 7,056.16 |
| Health | 56,100.00 | 56,100.00 | 43,512.57 | | | 43,512.57 |
| Welfare | 202,500.00 | 202,500.00 | 110,962.72 | (2) | 177,089.50 | 288,052.22 |
| Culture and Recreation | 167,506.13 | 167,506.13 | 146,644.36 | | | 146,644.36 |
| Education | 44,164.00 | 44,164.00 | 44,569.92 | | | 44,569.92 |
| Capital Outlay | | | 21,923.31 | | | 21,923.31 |
| Total Expenditures | 6,182,526.54 | 6,182,526.54 | 6,051,198.81 | (2) | 751,048.46 | 6,802,247.27 |
| Excess (Deficiency) of Revenues Over Expenditures | 1,913.46 | 1,913.46 | (98,151.33) | | 662,745.62 | 564,594.29 |
| **Other Financing Sources (Uses)** | | | | | | |
| Transfers In | | | 207,708.79 | (3) | 429,433.60 | 637,142.39 |
| Transfers Out | | | (75,894.62) | (3) | (798,926.51) | (874,821.13) |
| Total Other Financing Sources (Uses) | | | 131,814.17 | (3) | (369,492.91) | (237,678.74) |
| Net Change in Fund Balances | 1,913.46 | 1,913.46 | 33,662.84 | (4) | 293,252.71 | 326,915.55 |
| Fund Balances - Beginning of Year | | | (147,743.82) | | 414,582.75 | 266,838.93 |
| Fund Balances - End of Year | $ 1,913.46 | $ 1,913.46 | $ (114,080.98) | | $ 707,835.46 | $ 593,754.48 |

## *Schedule of Revenues, Expenditures and Changes in Fund Balances*
## *Budget and Actual - General Fund*
## *For the Year Ended September 30, 2017*

**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 | $ | 512,771.52 | | |
| Public Roads, Buildings and Bridges Fund | | 558,224.39 | | |
| Program on Aging Fund | | 75,264.86 | | |
| Fuel System Fund | | 267,533.31 | $ | 1,413,794.08 |
| (2) Expenditures | | | | |
| Public Roads, Buildings and Bridges Fund | $ | 282,233.94 | | |
| Program on Aging Fund | | 177,089.50 | | |
| Fuel System Fund | | 291,725.02 | | (751,048.46) |
| (3) Other Financing Sources/(Uses), Net | | | | |
| Sales Tax Administrative Fund | $ | (481,318.64) | | |
| Public Roads, Buildings and Bridges Fund | | 4,200.00 | | |
| Reappraisal Fund | | (7.87) | | |
| Program on Aging Fund | | 107,633.60 | | (369,492.91) |
| Net Increase in Fund Balance - Budget to GAAP | | | $ | 293,252.71 |

(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.

## *Schedule of Revenues, Expenditures and Changes in Fund Balances*
## *Budget and Actual - Gasoline Tax Fund*
## *For the Year Ended September 30, 2017*

| | Budgeted Amounts | | Actual Amounts | Budget to GAAP | Actual Amounts |
|---|---|---|---|---|---|
| | Original | Final | Budgetary Basis | Differences | GAAP Basis |
| **Revenues** | | | | | |
| Intergovernmental | $ 2,314,426.39 | $ 2,314,426.39 | $ 3,390,721.21 | $ | $ 3,390,721.21 |
| Miscellaneous | | | 19,348.52 | | 19,348.52 |
| Total Revenues | 2,314,426.39 | 2,314,426.39 | 3,410,069.73 | | 3,410,069.73 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| Highways and Roads | 2,314,307.00 | 2,314,307.00 | 3,182,232.99 | | 3,182,232.99 |
| Capital Outlay | | | 468,698.00 | | 468,698.00 |
| Debt Service: | | | | | |
| Principal Retirement | | | 43,510.91 | | 43,510.91 |
| Total Expenditures | 2,314,307.00 | 2,314,307.00 | 3,694,441.90 | | 3,694,441.90 |
| Excess (Deficiency) of Revenues Over Expenditures | 119.39 | 119.39 | (284,372.17) | | (284,372.17) |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers In | | | 74,608.14 | | 74,608.14 |
| Proceeds from Capital Leases | | | 379,427.93 | | 379,427.93 |
| Total Other Financing Sources (Uses) | | | 454,036.07 | | 454,036.07 |
| Net Change in Fund Balances | 119.39 | 119.39 | 169,663.90 | | 169,663.90 |
| Fund Balances - Beginning of Year | | | 939,088.62 | | 939,088.62 |
| Fund Balances - End of Year | $ 119.39 | $ 119.39 | $ 1,108,752.52 | $ | $ 1,108,752.52 |

***Schedule of Revenues, Expenditures and Changes in Fund Balances***
***Budget and Actual - Reappraisal Fund***
***For the Year Ended September 30, 2017***

| | Budgeted Amounts | | Actual Amounts | Budget to GAAP | Actual Amounts |
|---|---|---|---|---|---|
| | Original | Final | Budgetary Basis | Differences | GAAP Basis |
| **Revenues** | | | | | |
| Taxes | $ 68,289.56 | $ 68,289.56 | $ 430,571.80 | $ | $ 430,571.80 |
| Miscellaneous | 700,200.00 | 700,200.00 | | | |
| Total Revenues | 768,489.56 | 768,489.56 | 430,571.80 | | 430,571.80 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General Government | 725,200.00 | 725,200.00 | 430,571.80 | | 430,571.80 |
| Total Expenditures | 725,200.00 | 725,200.00 | 430,571.80 | | 430,571.80 |
| Excess (Deficiency) of Revenues Over Expenditures | 43,289.56 | 43,289.56 | | | |
| Net Change in Fund Balances | 43,289.56 | 43,289.56 | | | |
| Fund Balances - Beginning of Year | | | | | |
| Fund Balances - End of Year | $ 43,289.56 | $ 43,289.56 | $ | $ | $ |

# *Schedule of Funding Progress*
# *Other Postemployment Benefits*
## *For the Year Ended September 30, 2017*

| 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.

# *Additional Information*

# *Commission Members and Administrative Personnel*
## *October 1, 2016 through September 30, 2017*

| **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** | | |
| Ms. Heather Dyar | Administrator | Indefinite |

(*) Bradley Cross served as Chairman from October 2016, until April 2017.
(**) Norman Pool served as Chairman from May 2017 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, 2017, 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 January 28, 2021.

## *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. Accordingly, we do not express 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 that have not been 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 a certain deficiency in internal control that we consider to be a significant deficiency as described below.

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

***Finding 2017-001***

The ***Code of Alabama 1975***, Section 11-3-11(a)(3) and (4), give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having the care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to reconcile the cash shown in the Commission's accounting records to the amounts shown in the bank account on a monthly basis. The performance of these reconciliations helps the Commission to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud could occur and not be detected.

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 by a responsible individual. As a result, the Commission was unable to ensure all money receipted was accurately deposited, all disbursements were subsequently cleared, and all bank account balances reconciled to the Commission's records. Errors could occur and not be detected. This finding was previously reported as Finding 2016-004.

***Recommendation***

The Commission should ensure all bank accounts are properly reconciled on a monthly basis by a responsible individual.

***Views of Responsible Officials***

The Lawrence County Commission agrees with this finding.

***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***.

# *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*

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

The Lawrence County Commission's response to the finding identified in our audit is described in the accompanying Auditee Response. 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
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 28, 2021

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# *Auditee Response*

# LAWRENCE COUNTY COMMISSION

Heather Dyar, *Administrator*
Mechelle Graham, *Accountant*

12001 AL Highway 157
Annex 3 Suite 1
P.O. Box 307
Moulton, Alabama 35650

Telephone: 256-974-0663
Fax: 256-974-2403


February 2, 2021

Rachel Riddle, Chief Examiner
Examiners of Public Accounts
P.O. Box 302251
Montgomery, AL 36130

Dear Ms. Riddle:

The Lawrence County Commission has prepared and hereby submits the following Auditee Response for the findings included in the audit report for the year ended September 30, 2017.

***Finding 2017-001:***

The ***Code of Alabama 1975***, Sections 11-3-11(a)(3) and (4) give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having the care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to reconcile the cash shown in the Commission's accounting records to the amounts shown in the bank account on a monthly basis. The performance of these reconciliations helps the Commission to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud could occur and not be detected.

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 by a responsible individual. As a result, the Commission was unable to ensure all funds receipted were accurately deposited, all disbursements were subsequently cleared, and all bank account balances reconciled to the Commission's records. Errors could occur and not be detected. This finding was previously reported as Findings 2016-004.

***Recommendation:***

The Commission should ensure all bank accounts are properly reconciled on a monthly basis by a responsible individual.

***Corrective Action Planned:***

In September of 2017, the 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


**BOARD MEMBERS**

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

of duties. This has allowed the County Accountant and the 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 of 2017 upon the hiring of 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

Sincerely,

Kyle Pankey

Kyle Pankey, Chairman
Lawrence County Commission