Report on the

Lawrence County Commission

Lawrence County, Alabama

October 1, 2017 through September 30, 2018

Filed: June 4, 2021

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Rachel Laurie Riddle, Chief Examiner

21-278

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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, 2017 through September 30, 2018, by Examiners Isabelle Lisenby, Reyna Garcia, and Joseph Hardaway. 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 of the audit.

Respectfully submitted,

Isabelle Lisenby

Isabelle Lisenby
Examiner of Public Accounts

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21-278

Table of Contents

		Page
Summary		A
Contains items pertaining to federal, state and local legal compliance, Commission operations and other matters.		
Independent Auditor's Report		B
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).		
Management's Discussion and Analysis		F
Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information has not been audited, and no opinion is provided about the information.		
Basic Financial Statements		1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.		
Exhibit #1	Statement of Net Position	2
Exhibit #2	Statement of Activities	4
Exhibit #3	Balance Sheet – Governmental Funds	5
Exhibit #4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Exhibit #5	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Exhibit #6	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Exhibit #7	Statement of Net Position – Proprietary Fund	9

Table of Contents

		Page
Exhibit #8	Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	11
Exhibit #9	Statement of Cash Flows – Proprietary Fund	12
Exhibit #10	Statement of Fiduciary Net Position	14
Exhibit #11	Statement of Changes in Fiduciary Net Position	15
Notes to the Financial Statements		16
Required Supplementary Information		51
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.		
Exhibit #12	Schedule of Changes in the Employer's Net Pension Liability	52
Exhibit #13	Schedule of the Employer's Contributions – Pension	53
Exhibit #14	Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability	54
Exhibit #15	Schedule of the Employer's Contributions – Other Postemployment Benefits (OPEB)	55
Exhibit #16	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	57
Exhibit #17	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund	59
Exhibit #18	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund	60
Supplementary Information		61
Contains financial information and notes relative to federal financial assistance.		
Exhibit #19	Schedule of Expenditures of Federal Awards	62
Notes to the Schedule of Expenditures of Federal Awards		64

Table of Contents

		Page
Additional Information		65
	Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*) for federal compliance audits.	
Exhibit #20	**Commission Members and Administrative Personnel** – a listing of the Commission members and administrative personnel.	66
Exhibit #21	**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*** – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.	67
Exhibit #22	**Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the *Uniform Guidance*** – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the Commission complied with federal statutes, regulations, and the terms and conditions of its federal awards which could have a direct and material effect on each major program.	69
Exhibit #23	**Schedule of Findings and Questioned Costs** – a schedule summarizing the results of audit findings relating to the financial statements as required by ***Government Auditing Standards*** and findings and questioned costs for federal awards as required by the ***Uniform Guidance***.	72
Exhibit #24	**Summary Schedule of Prior Audit Findings** – a report, prepared by the management of the Commission, which provides the status of all audit findings included in the prior audit report.	74

Department of
Examiners of Public Accounts

SUMMARY

Lawrence County Commission
October 1, 2017 through September 30, 2018

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 20. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Lawrence County.

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

An unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2018.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 20, were invited to discuss the results of this report at an exit conference held at the Lawrence County Commission office. Individuals in attendance were: Heather Dyar, Administrator; and Commissioners: Norman Pool and Bobby Burch. Also in attendance were representatives from the Department of Examiners of Public Accounts: Isabelle Lisenby, Examiner; Reyna Garcia, Examiner; and Joseph Hardaway, Examiner. The results of the report were discussed by phone with Mose Jones.

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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 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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in the fiscal year ended September 30, 2018, the Lawrence County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 75, ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, as amended by Statement Number 85, ***Omnibus 2017***. Our opinion on the basic financial statements is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 18), 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawrence County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 19), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated May 18, 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 18, 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, 2018, with comparative data for the fiscal year ended September 30, 2017. Please read it in conjunction with the County's basic financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The County's net position increased by $1,801,993.30 as a result of the current year's operations. Net position of governmental activities increased by $1,294,393.08 and the net position for business-type activities increased by $507,600.22.
- The County's governmental fund type balances increased by $304,232.30.
- Total revenues from all sources were $17,404,102.60 while total costs of all programs were $15,602,109.30.

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, 2018. 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 $17,344,222.38 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)

	2017 Governmental Activities	2018 Governmental Activities	2017 Business-Type Activities	2018 Business-Type Activities	2017 Total	2018 Total
Current Assets and Other Assets	$ 6,371	$ 6,837	$1,422	$2,131	$ 7,793	$ 8,968
Noncurrent Assets	31	64	135	104	166	168
Capital Assets	30,696	30,840	2,247	2,090	32,943	32,930
Total Assets	37,098	37,741	3,804	4,325	40,902	42,066
Deferred Outflows of Resources	735	672	71	75	806	747
Current Liabilities	1,416	1,713	109	43	1,525	1,756
Noncurrent Liabilities	17,070	17,951	1,188	1,423	18,258	19,374
Total Liabilities	18,486	19,664	1,297	1,466	19,783	21,130
Deferred Inflows of Resources	3,951	4,150	138	189	4,089	4,339
Net Position:						
Net Investment in Capital Assets	17,445	17,869	2,247	2,090	19,692	19,959
Restricted for:						
Capital Projects	271	669			271	669
Road Projects	1,171	1,266			1,171	1,266
Other Purposes	1,471	1,260			1,471	1,260
Unrestricted	(4,962)	(6,465)	193	655	(4,769)	(5,810)
Total Net Position	$15,396	$14,599	$2,440	$2,745	$17,836	$17,344

Table A-2
Changes in Net Position
For the Year Ended September 30, 2018
(in thousands)

	2017 Governmental Activities	2018 Governmental Activities	2017 Business-Type Activities	2018 Business-Type Activities	2017 Total	2018 Total
Revenues						
Program Revenues:						
Charges for Service	$ 1,893	$ 1,753	$2,224	$2,600	$ 4,117	$ 4,353
Operating Grants and Contributions	3,906	4,035			3,906	4,035
Capital Grants and Contributions	1,034	1,675		153	1,034	1,828
General Revenues:						
Property Taxes – General Purposes	2,129	2,419			2,129	2,419
Property Taxes – Specific Purposes	959	886			959	886
General Sales Tax	1,455	1,470			1,455	1,470
Miscellaneous Taxes	187	200			187	200
Interest Revenue	26	4		2	26	6
TVA In Lieu of Taxes	637	721			637	721
Net Loss on Sale of Capital Assets						
Rental Income			18	23	18	23
Miscellaneous Revenue	1,006	1,406	16	58	1,022	1,464
Transfers In (Out)	215		(215)			
Total Revenues	13,447	14,569	2,043	2,836	15,490	17,405
Expenditures/Expenses						
General Government	3,898	4,158			3,898	4,158
Public Safety	4,859	4,626			4,859	4,626
Highways and Roads	3,635	3,326			3,635	3,326
Sanitation	7		2,140	2,328	2,147	2,328
Health	44	65			44	65
Welfare	298	301			298	301
Culture and Recreation	148	145			148	145
Education	45	44			45	44
Interest and Fiscal Charges	625	610			625	610
Total Expenditures/Expenses	13,559	13,275	2,140	2,328	15,699	15,603
Increase (Decrease) in Net Position	(112)	1,294	(97)	508	(208)	1,802
Net Position – Beginning of Year (as Restated)	15,508	13,305	2,537	2,237	18,045	15,542
Net Position – End of Year	$15,396	$14,599	$2,440	$2,745	$17,837	$17,344

The County's total revenues were approximately $17.4 million. Approximately 20% of the County's revenue comes from property taxes and 10% comes from sales taxes. Another 2% 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 $15.6 million. The County's expenses cover a range of services. The majority of the expenses related to general government (27%), public safety (30%) and highways and roads (21%).

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 $13.27 million. However, the net cost to taxpayers for these activities was $5.8 million. Some of the costs were paid by (1) those that directly benefited from the programs ($1.89 million) or (2) other governments and organizations that subsidized certain programs with grants and contributions ($5.7 million). The County paid for the $7.11 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, 2018
(in thousands)

	Total Cost of Services	Net Cost of Services
General Government	$ 4,158	$2,054
Public Safety	4,626	3,074
Highways and Roads	3,326	(267)
Health and Welfare	366	219
Culture and Recreation	145	79
Education	44	43
Other	610	610
Total	$13,275	$5,812

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 $507,600.22 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 $3,503,745.56. The County's major funds for 2018 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 $612,383.71.

The Gasoline Tax Fund had an ending fund balance of $1,169,437.52.

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 #16.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the Lawrence County Commission had invested $32.929 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

	2017 Governmental Activities	2018 Governmental Activities	2017 Business-Type Activities	2018 Business-Type Activities
Land	$ 1,215,491	$ 1,215,491	$ 93,172	$ 93,172
Infrastructure in Progress		326,149		
Total Capital Assets Not Being Depreciated	1,215,491	1,541,640	93,172	93,172
Capital Assets Being Depreciated:				
Infrastructure	23,713,326	24,426,746		
Land Improvements	188,998	188,998		
Buildings	13,025,657	13,131,593	362,828	387,828
Buildings Under Capital Lease	3,460,000	3,460,000		
Equipment and Vehicles	5,240,935	5,538,323	2,251,322	2,268,848
Equipment Under Capital Lease	454,398	454,398		
Accumulated Depreciation	(16,603,228)	(17,901,812)	(460,165)	(660,165)
Total	$ 30,695,577	$ 30,839,886	$2,247,157	$2,089,683

Long-Term Debt

At September 30, 2018, as reflected on Exhibit 1, the County's outstanding debt for warrants payable was $10,890,000.00 and for capital leases was $1,850,006.29. More detailed information about the County's long-term liabilities are presented in the notes to the financial statements.

Table A-5
Outstanding Debt

	2017 Governmental Activities	2018 Governmental Activities	2017 Business-Type Activities	2018 Business-Type Activities
Warrants Payable:				
General Obligation Refunding Warrants, Series 2009	$11,195,000	$10,890,000	$	$
Capital Leases	2,055,917	1,850,006		
Compensated Absences	151,921	170,909	27,217	22,190
Other Postemployment Benefits	1,658,590	3,760,332	162,236	417,815
Landfill Closure			796,507	781,007
Net Pension Liability	2,518,921	1,813,339	202,372	201,482
Total	$17,580,349	$18,484,586	$1,188,332	$1,422,494

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 2019 fiscal year.

The United States encountered a COVID-19 pandemic which adversely affected the nation. As a result of the pandemic, there was an impact on the Commission's revenues. Gasoline taxes decreased by $144,909.41 in fiscal year 2020 as compared to the previous fiscal year. Additionally, the Commission incurred a significant increase in costs associated with the aftermath of COVID-19. These costs totaling $1,119,581.00 were reimbursed through the federal grants in fiscal years 2020 and 2021. Due to the impact and severity of the pandemic, the Commission anticipates that its financial operations will require further assistance from programs of the federal government.

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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash	$ 3,350,429.14	$ 1,328,145.77	$ 4,678,574.91
Investments	135,539.22	601,633.24	737,172.46
Receivables (Note 4)	650,171.39	201,241.89	851,413.28
Due from External Parties	351,369.24		351,369.24
Ad Valorem Taxes Receivable	2,262,671.74		2,262,671.74
Internal Balances	(104,612.78)	104,612.78	
Inventories	87,128.38		87,128.38
Total Current Assets	6,732,696.33	2,235,633.68	8,968,330.01
Noncurrent Assets			
Restricted Cash with Fiscal Agent	168,243.09		168,243.09
Capital Assets (Note 5):			
Nondepreciable	1,541,640.26	93,172.00	1,634,812.26
Depreciable, Net	29,298,245.75	1,996,510.83	31,294,756.58
Total Capital Assets, Net	30,839,886.01	2,089,682.83	32,929,568.84
Total Noncurrent Assets	31,008,129.10	2,089,682.83	33,097,811.93
Total Assets	37,740,825.43	4,325,316.51	42,066,141.94
Deferred Outflows of Resources			
Employer Pension Contributions	223,500.33	24,833.37	248,333.70
Deferred Outflows Related to Net Pension Liability	327,168.90	36,352.10	363,521.00
Employer Other Postemployment Benefits (OPEB) Contributions	121,730.40	13,525.60	135,256.00
Total Deferred Outflows of Resources	672,399.63	74,711.07	747,110.70
Liabilities			
Current Liabilities			
Accounts Payable	427,750.86	21,257.85	449,008.71
Due to Other Governments	119,880.02		119,880.02
Accrued Wages Payable	120,091.73	22,098.45	142,190.18
Accrued Interest Payable	231,057.62		231,057.62
Unearned Revenue	240,958.82		240,958.82
Due to External Parties	40,218.45		40,218.45
Long Term Liabilities:			
Portion Due or Payable Within One Year:			
Capital Leases Payable	218,314.82		218,314.82
Warrants Payable	315,000.00		315,000.00
Total Current Liabilities	$ 1,713,272.32	$ 43,356.30	$ 1,756,628.62

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	$ 1,631,691.47	$	$ 1,631,691.47
Warrants Payable	10,575,000.00		10,575,000.00
Compensated Absences	170,908.93	22,190.50	193,099.43
Other Postemployment Benefit Liability	3,760,332.30	417,814.70	4,178,147.00
Landfill Closure/Post Closure		781,006.76	781,006.76
Net Pension Liability	1,813,338.90	201,482.10	2,014,821.00
Total Noncurrent Liabilities	17,951,271.60	1,422,494.06	19,373,765.66
Total Liabilities	19,664,543.92	1,465,850.36	21,130,394.28
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	2,262,671.74		2,262,671.74
Deferred Inflows Related to Net Pension Liability	1,506,211.20	167,356.80	1,673,568.00
Revenue Received in Advance - Motor Vehicle Taxes	185,622.24		185,622.24
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Liability	195,096.60	21,677.40	216,774.00
Total Deferred Inflows of Resources	4,149,601.78	189,034.20	4,338,635.98
Net Position			
Net Investment in Capital Assets	17,868,822.10	2,089,682.83	19,958,504.93
Restricted for:			
Capital Projects	669,306.95		669,306.95
Road Projects	1,265,883.94		1,265,883.94
Other Purposes	1,259,692.39		1,259,692.39
Unrestricted	(6,464,626.02)	655,460.19	(5,809,165.83)
Total Net Position	$ 14,599,079.36	$ 2,745,143.02	$ 17,344,222.38

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Statement of Activities
For the Year Ended September 30, 2018

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	$ 4,157,608.07	$ 720,419.74	$ 880,969.65	$ 502,716.00	$ (2,053,502.68)	$	$ (2,053,502.68)
Public Safety	4,626,489.57	1,022,387.35	530,388.24		(3,073,713.98)		(3,073,713.98)
Highways and Roads	3,325,771.52		2,515,859.48	1,077,148.15	267,236.11		267,236.11
Health	64,863.65			95,000.00	30,136.35		30,136.35
Welfare	301,183.32		52,018.75		(249,164.57)		(249,164.57)
Culture and Recreation	144,720.77	9,752.83	55,503.25		(79,464.69)		(79,464.69)
Education	43,991.11				(43,991.11)		(43,991.11)
Interest on Long-Term Debt	609,511.26				(609,511.26)		(609,511.26)
Total Governmental Activities	13,274,139.27	1,752,559.92	4,034,739.37	1,674,864.15	(5,811,975.83)		(5,811,975.83)
Business-Type Activities:							
Solid Waste	2,327,970.03	2,600,251.42		152,814.67		425,096.06	425,096.06
Total Business-Type Activities	2,327,970.03	2,600,251.42		152,814.67		425,096.06	425,096.06
Total Primary Government	$ 15,602,109.30	$ 4,352,811.34	$ 4,034,739.37	$ 1,827,678.82	(5,811,975.83)	425,096.06	(5,386,879.77)
General Revenues:							
Taxes:							
Property Taxes for General Purposes					2,418,846.07		2,418,846.07
Property Taxes for Specific Purposes					886,481.32		886,481.32
General Sales Tax					1,469,824.92		1,469,824.92
Miscellaneous Taxes					200,124.76		200,124.76
TVA in Lieu of Taxes					720,754.27		720,754.27
Investment Earnings					4,319.25	2,168.99	6,488.24
Insurance Reimbursements						52,244.65	52,244.65
Rental Income						22,535.00	22,535.00
Miscellaneous					1,406,018.32	5,555.52	1,411,573.84
Total General Revenues					7,106,368.91	82,504.16	7,188,873.07
Change in Net Position					1,294,393.08	507,600.22	1,801,993.30
Net Position - Beginning of Year, as Restated (Note 15)					13,304,686.28	2,237,542.80	15,542,229.08
Net Position - End of Year					$ 14,599,079.36	$ 2,745,143.02	$ 17,344,222.38

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

Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 863,018.76	$ 798,921.86	$ 239,459.24	$ 1,449,029.28	$ 3,350,429.14
Cash with Fiscal Agent				168,243.09	168,243.09
Investments	96,001.77	1,100.00		38,437.45	135,539.22
Ad Valorem Taxes Receivable	1,799,097.98		463,573.76		2,262,671.74
Receivables (Note 4)	173,880.44	202,769.86		273,521.09	650,171.39
Due from Other Funds	47,348.83	193,432.79	2,010.00	38,393.15	281,184.77
Due from External Parties	351,369.24				351,369.24
Inventories	26,418.27	60,710.11			87,128.38
Total Assets	3,357,135.29	1,256,934.62	705,043.00	1,967,624.06	7,286,736.97
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	141,211.31	57,456.21	7,231.75	221,851.59	427,750.86
Due to Other Governments	119,880.02				119,880.02
Due to Other Funds	367,399.93	9,697.74		8,699.88	385,797.55
Due to External Parties	35,310.29			4,908.16	40,218.45
Accrued Wages Payable	84,163.81	20,343.15	5,344.67	10,240.10	120,091.73
Unearned Revenue	12,066.00		228,892.82		240,958.82
Total Liabilities	760,031.36	87,497.10	241,469.24	245,699.73	1,334,697.43
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	1,799,097.98		463,573.76		2,262,671.74
Revenue Received in Advance - Motor Vehicle Taxes	185,622.24				185,622.24
Total Deferred Inflows of Resources	1,984,720.22		463,573.76		2,448,293.98
Fund Balances					
Nonspendable:					
Inventories	26,418.27	60,710.11			87,128.38
Restricted for:					
Highways and Roads		1,108,727.41		96,446.42	1,205,173.83
Capital Projects				669,306.95	669,306.95
Other Purposes	303,521.43			956,170.96	1,259,692.39
Assigned					
Unassigned	282,444.01				282,444.01
Total Fund Balances	612,383.71	1,169,437.52		1,721,924.33	3,503,745.56
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,357,135.29	$ 1,256,934.62	$ 705,043.00	$ 1,967,624.06	$ 7,286,736.97

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

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

Total Fund Balances - Governmental Funds (Exhibit 3)		$ 3,503,745.56
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.		30,839,886.01
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	$ 231,057.62	$	
Capital Leases Payable	218,314.82	1,631,691.47	
Warrants Payable	315,000.00	10,575,000.00	
Other Postemployment Benefits Liability		3,760,332.30	
Net Pension Liability		1,813,338.90	
Compensated Absences		170,908.93	
Total Long-Term Liabilities	$ 764,372.44	$ 17,951,271.60	(18,715,644.04)

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the governmental funds.		
Employer Pension Contributions	$ 223,500.33	
Deferred Inflows Related to Net Pension Liability	(1,506,211.20)	
Deferred Outflows Related to Net Pension Liability	327,168.90	
Employer Other Post Employment Benefits Contributions	121,730.40	
Deferred Inflows Related to Other Postemployment Benefits Liability	(195,096.60)	
		(1,028,908.17)
Total Net Position - Governmental Activities (Exhibit 1)		$ 14,599,079.36

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

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

	General Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 4,374,812.71	$	$ 463,825.14	$	$ 4,838,637.85
Licenses and Permits	157,792.38				157,792.38
Intergovernmental	1,735,175.01	3,555,883.58		1,275,938.42	6,566,997.01
Charges for Services	518,643.36			1,076,124.18	1,594,767.54
Miscellaneous	1,077,737.12	192,680.88		139,919.57	1,410,337.57
Total Revenues	7,864,160.58	3,748,564.46	463,825.14	2,491,982.17	14,568,532.35
Expenditures					
Current:					
General Government	3,038,253.35		463,825.14	133,726.02	3,635,804.51
Public Safety	3,419,125.65			1,140,977.56	4,560,103.21
Highways and Roads	2,472.54	2,938,333.33		0.92	2,940,806.79
Health	58,864.52				58,864.52
Welfare	292,242.61			14,905.71	307,148.32
Culture and Recreation	143,136.07			3,862.94	146,999.01
Education	43,991.11				43,991.11
Capital Outlay	166,754.48	667,316.76		608,819.96	1,442,891.20
Debt Service:					
Principal Retirement		70,910.73		440,000.00	510,910.73
Interest and Fiscal Charges		11,318.64		605,462.01	616,780.65
Total Expenditures	7,164,840.33	3,687,879.46	463,825.14	2,947,755.12	14,264,300.05
Excess (Deficiency) of Revenues Over Expenditures	699,320.25	60,685.00		(455,772.95)	304,232.30
Other Financing Sources (Uses)					
Transfers In	186,112.11			866,803.13	1,052,915.24
Transfers Out	(866,803.13)			(186,112.11)	(1,052,915.24)
Total Other Financing Sources (Uses)	(680,691.02)			680,691.02	
Net Change in Fund Balances	18,629.23	60,685.00		224,918.07	304,232.30
Fund Balances - Beginning of Year	593,754.48	1,108,752.52		1,497,006.26	3,199,513.26
Fund Balances - End of Year	$ 612,383.71	$ 1,169,437.52	$	$ 1,721,924.33	$ 3,503,745.56

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

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$ 304,232.30
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay ($1,442,891.20) exceeded depreciation ($1,298,582.87) in the current period.		144,308.33
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		510,910.73
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consist of:		
Net Decrease in Accrued Interest Payable	$ 7,269.39	
Net Increase in Compensated Absences	(18,987.55)	
Net Decrease in Pension Expense	430,129.43	
Net Increase in Other Post Employment Benefit Expense	(83,469.55)	
Total Additional Expenditures		334,941.72
Change in Net Position of Governmental Activities (Exhibit 2)		$ 1,294,393.08

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

Statement of Net Position
Proprietary Fund
September 30, 2018

	Enterprise Fund Solid Waste Fund	Total Enterprise Fund
Assets		
Current Assets		
Cash	$ 1,328,145.77	$ 1,328,145.77
Investments	601,633.24	601,633.24
Accounts Receivable	201,241.89	201,241.89
Due from Other Funds	135,000.00	135,000.00
Total Current Assets	2,266,020.90	2,266,020.90
Noncurrent Assets		
Capital Assets (Note 5):		
Nondepreciable	93,172.00	93,172.00
Depreciable, Net	1,996,510.83	1,996,510.83
Total Noncurrent Assets	2,089,682.83	2,089,682.83
Total Assets	4,355,703.73	4,355,703.73
Deferred Outflows of Resources		
Employer Pension Contributions	24,833.37	24,833.37
Deferred Outflows Related to Net Pension Liability	36,352.10	36,352.10
Employer Other Postemployment Benefits (OPEB) Contributions	13,525.60	13,525.60
Total Deferred Outflows of Resources	74,711.07	74,711.07
Liabilities		
Current Liabilities		
Accounts Payable	21,257.85	21,257.85
Due to Other Funds	30,387.22	30,387.22
Accrued Wages Payable	22,098.45	22,098.45
Total Current Liabilities	73,743.52	73,743.52
Noncurrent Liabilities		
Compensated Absences	22,190.50	22,190.50
Other Postemployment Benefit Liability	417,814.70	417,814.70
Estimated Liability for Landfill Postclosure Care Costs	781,006.76	781,006.76
Net Pension Liability	201,482.10	201,482.10
Total Noncurrent Liabilities	1,422,494.06	1,422,494.06
Total Liabilities	$ 1,496,237.58	$ 1,496,237.58

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	$ 167,356.80	$ 167,356.80
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Liability	21,677.40	21,677.40
Total Deferred Inflows of Resources	189,034.20	189,034.20
Net Position		
Net Investment in Capital Assets	2,089,682.83	2,089,682.83
Unrestricted	655,460.19	655,460.19
Total Net Position	$ 2,745,143.02	$ 2,745,143.02

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Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2018

	Enterprise Fund Solid Waste Fund	Total Enterprise Fund
Operating Revenues		
Commercial Dumpsters	$ 156,024.56	$ 156,024.56
Commercial Roll-Offs	72,628.80	72,628.80
Revenue from Recycling	26,061.41	26,061.41
Landfill Host Fees	319,249.12	319,249.12
Landfill Fees	2,026,287.53	2,026,287.53
Total Operating Revenues	2,600,251.42	2,600,251.42
Operating Expenses		
Salaries and Benefits	1,004,692.52	1,004,692.52
Contractual and Professional Services	421,179.60	421,179.60
Recycling Fees Paid to Board	28,710.26	28,710.26
Materials and Supplies	310,522.52	310,522.52
Repairs and Maintenance	126,001.80	126,001.80
Utilities	27,380.72	27,380.72
Communications	3,903.73	3,903.73
Travel	2,601.29	2,601.29
Depreciation	247,622.13	247,622.13
Insurance	155,355.46	155,355.46
Total Operating Expenses	2,327,970.03	2,327,970.03
Operating Income (Loss)	272,281.39	272,281.39
Nonoperating Revenues (Expenses)		
Interest Revenue	2,168.99	2,168.99
State Grant Revenue	152,814.67	152,814.67
Rental of Buildings and Land	22,535.00	22,535.00
Insurance Refunds	52,244.65	52,244.65
Other Revenue	5,555.52	5,555.52
Total Nonoperating Revenues (Expenses)	235,318.83	235,318.83
Changes in Net Position	507,600.22	507,600.22
Net Position - Beginning of Year, as Restated (Note 15)	2,237,542.80	2,237,542.80
Net Position - End of Year	$ 2,745,143.02	$ 2,745,143.02

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, 2018

	Enterprise Fund Solid Waste Fund	Total Enterprise Fund
Cash Flows from Operating Activities		
Receipts from Customers	$ 2,582,127.87	$ 2,582,127.87
Payments to Suppliers	(1,135,383.10)	(1,135,383.10)
Payments to Employees	(900,881.97)	(900,881.97)
Net Cash Provided (Used) by Operating Activities	545,862.80	545,862.80
Cash Flows from Noncapital Financing Activities		
Rental of Buildings and Land	22,535.00	22,535.00
Insurance Refunds	52,244.65	52,244.65
Other Revenue	158,370.19	158,370.19
Net Cash Provided (Used) by Noncapital Financing Activities	233,149.84	233,149.84
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(233,013.00)	(233,013.00)
Insurance Proceeds from Wrecked Asset	142,866.00	142,866.00
Net Cash Provided (Used) by Capital and Related Financing Activities	(90,147.00)	(90,147.00)
Cash Flows from Investing Activities		
Interest Received	2,168.99	2,168.99
Net Cash Provided (Used) by Investing Activities	2,168.99	2,168.99
Net Increase/(Decrease) in Cash	691,034.63	691,034.63
Cash - Beginning of Year	637,111.14	637,111.14
Cash - End of Year	$ 1,328,145.77	$ 1,328,145.77

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)	$ 272,281.39	$ 272,281.39
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Change in Assets and Liabilities:		
Receivables	(18,123.55)	(18,123.55)
Accrued Wages Payable	9,293.75	9,293.75
Compensated Absences	(5,026.68)	(5,026.68)
Depreciation Expense	247,622.13	247,622.13
Landfill Postclosure	(15,500.00)	(15,500.00)
Pension Expense	38,758.03	38,758.03
OPEB Liability	60,785.45	60,785.45
Payables	(44,227.72)	(44,227.72)
Total Adjustments	273,581.41	273,581.41
Net Cash Provided by Operating Activities	$ 545,862.80	$ 545,862.80

Statement of Fiduciary Net Position
September 30, 2018

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash	$ 1,042,562.96	$ 892,369.16
Investments	20,795.00	
Receivables (Note 4)	2,453.83	652,301.35
Due from External Parties	24,943.63	39,609.37
Total Assets	1,090,755.42	1,584,279.88
Liabilities		
Accounts Payable		200,147.44
Due to Other Governments		1,008,428.65
Due to External Parties		375,703.79
Total Liabilities		$ 1,584,279.88
Net Position		
Held in Trust for Other Purposes	1,090,755.42	
Total Net Position	$ 1,090,755.42	

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

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2018

	Private-Purpose Trust Funds
Additions	
Contributions from:	
Court Fees	$ 1,050.09
Law Library Fees	28,711.94
Community Development	132,698.15
Probate Judge	32,945.75
Sheriff	203,332.65
Miscellaneous	35,049.93
Interest	22.83
Total Additions	433,811.34
Deductions	
Administrative Expenses:	
General Government	416,733.37
Public Safety	212,859.27
Total Deductions	629,592.64
Changes in Net Position	(195,781.30)
Net Position - Beginning of Year	1,286,536.72
Net Position - End of Year	$ 1,090,755.42

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

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of the above criteria, the following entity is a component unit that has been included in the accompanying financial statements as a blended component unit.

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ***General Fund*** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. 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 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 principal 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, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

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

1. Deposits and Investments

Cash includes cash on hand and 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 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 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 capital assets are valued at their acquisition value on the date of acquisition. 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 Statement of Net Position for governmental and proprietary funds. 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, 2018, 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. 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.

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

For the purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the balances of the Commission's OPEB Plan have been determined on the same basis as they are reported by the Commission. For this purpose, the Commission's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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

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

B. Investments 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 hierarch 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, 2018, 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	$168,243.09	Level 1
Total		$168,243.09	

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, 2018, 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	$ 3,021.72	$	$193,479.00	$196,500.72
Due from Other Governments	170,858.72	202,769.86	80,042.09	453,670.67
Total Receivables	$173,880.44	$202,769.86	$273,521.09	$650,171.39

	Solid Waste Fund	Total Enterprise Fund
Proprietary Funds Receivables:		
Accounts Receivable	$201,241.89	$201,241.89
Total Receivables	$201,241.89	$201,241.89

	Private-Purpose Trust Funds	Agency Funds
Fiduciary Funds Receivables:		
Accounts Receivable	$	$512,288.75
Due from Other Governments	2,453.83	140,012.60
Total Receivables	$2,453.83	$652,301.35

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2018, the following unearned revenues were reported in the governmental funds.

Grants Funds Received But Not Yet Spent	$ 12,066.00
Unexpended Reappraisal Funds	228,892.82
Total Unearned Revenues	$240,958.85

Note 5 – Capital Assets

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

	Balance 10/01/2017	Additions	Retirements	Balance 09/30/2018
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,215,491.31	$	$	$ 1,215,491.31
Infrastructure in Progress		326,148.95		326,148.95
Total Capital Assets Not Being Depreciated	1,215,491.31	326,148.95		1,541,640.26
Capital Assets Being Depreciated:				
Infrastructure	23,713,326.22	713,419.27		24,426,745.49
Land Improvements	188,998.19			188,998.19
Buildings	13,025,657.32	105,935.50		13,131,592.82
Buildings Under Capital Lease	3,460,000.00			3,460,000.00
Equipment and Vehicles	5,240,935.57	297,387.48		5,538,323.05
Equipment Under Capital Lease	454,398.00			454,398.00
Total Capital Assets Being Depreciated	46,083,315.30	1,116,742.25		47,200,057.55
Less Accumulated Depreciation for:				
Infrastructure	(6,947,699.61)	(621,079.10)		(7,568,778.71)
Land Improvements	(103,680.17)			(103,680.17)
Buildings	(3,643,008.21)	(310,295.18)		(3,953,303.39)
Buildings Under Capital Lease	(1,600,250.00)	(86,500.00)		(1,686,750.00)
Equipment and Vehicles	(4,285,871.04)	(280,708.59)		(4,566,579.63)
Equipment Under Capital Lease	(22,719.90)			(22,719.90)
Total Accumulated Depreciation	(16,603,228.93)	(1,298,582.87)		(17,901,811.80)
Total Capital Assets, Being Depreciated, Net	29,480,086.37	(181,840.62)		29,298,245.75
Total Governmental Activities Capital Assets, Net	$ 30,695,577.68	$ 144,308.33	$	$ 30,839,886.01

Capital asset activity for business-type activities for the year ended September 30, 2018, was as follows:

	Balance 10/01/2017	Additions	Retirements	Balance 09/30/2018
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	62,828.00	25,000.00		387,828.00
Equipment and Furniture	2,251,322.53	208,013.00	(190,488.00)	2,268,847.53
Total Capital Assets Being Depreciated	2,614,150.53	233,013.00	(190,488.00)	2,656,675.53
Less: Accumulated Depreciation for:				
Buildings	(31,747.45)	(9,695.70)		(41,443.15)
Equipment and Furniture	(428,417.12)	(237,926.43)	47,622.00	(618,721.55)
Total Accumulated Depreciation	(460,164.57)	(247,622.13)	47,622.00	(660,164.70)
Total Capital Assets Being Depreciated, Net	2,153,985.96	(14,609.13)	(142,866.00)	1,996,510.83
Total Business-Type Activities Capital Assets, Net	$2,247,157.96	$ (14,609.13)	$(142,866.00)	$2,089,682.83

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 613,830.06
Public Safety	217,076.64
Highway and Roads	463,299.75
Welfare	1,635.82
Culture and Recreation	2,740.60
Total Depreciation Expense – Governmental Activities	$1,298,582.87

	Current Year Depreciation Expense
Business-Type Activities:	
Solid Waste	$247,622.13
Total Depreciation Expense – Business–Type Activities	$247,622.13

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits or 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 membership includes approximately 88,517 participants from approximately 909 local participating employers. As of September 30, 2017, membership consisted of:

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

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, 2018, the Commission's active employee contribution rate was 7.24 percent of covered payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 5.13 percent of covered payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2018, was 5.36% of pensionable pay for Tier 1 employees, and 4.52% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission for governmental and business-type activities were $223,500.33 and $24,833.37, respectively, for the year ended September 30, 2018.

B. Net Pension Liability

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

	Expected	Actual
(a) Total Pension Liability as of September 30, 2016	$18,303,839	$18,366,721
(b) Discount Rate	7.75%	7.75%
(c) Entry Age Normal Cost for October 1, 2016 – September 30, 2017	417,102	417,102
(d) Transfers Among Employers		61,250
(e) Actual Benefit Payments and Refunds for October 1, 2016 – September 30, 2017	(1,167,422)	(1,167,422)
(f) Total Pension Liability as of September 30, 2017 =[(a) x (1+(b))]+(c)+(d)+(e) x (1+0.5*(b))]	$18,926,829	$19,055,835
(g) Difference Between Expected and Actual:		$ 1 29,006
(h) Less Liability Transferred for Immediate Recognition		61,250
(i) Experience (Gain)/Loss = (g) – (h)		$ 67,756

Actuarial Assumptions

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

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

(*) Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2016, 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, 2015. The Board of Control accepted and approved these changes on September 2016, which became effective at the beginning of fiscal year 2016.

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, 2016	$18,303,839	$15,582,546	$ 2,721,293
Changes for the Year:			
Service Cost	417,102		417,102
Interest	1,373,310		1,373,310
Difference between Expected and Actual Experience	67,756		67,756
Contributions – Employer		267,796	(267,796)
Contributions – Employee		333,940	(333,940)
Net Investment Income		1,962,904	(1,962,904)
Benefit Payments, including Refunds of Employee Contributions	(1,167,422)	(1,167,422)	
Transfers among Employers	61,250	61,250	
Net Changes	751,996	1,458,468	(706,472)
Balances at September 30, 2017	$19,055,835	$17,041,014	$ 2,014,821

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	$4,167,167	$2,014,821	$199,621

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the Commission recognized pension income of $159,926. At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,471	$1,152,729
Changes of assumptions	309,050	
Net difference between projected and actual earnings on pension plan investments		520,839
Employer contributions subsequent to the measurement date	248,334	
Total	$611,855	$1,673,568

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

Year Ending:	
September 30, 2019	$(428,296)
2020	$(322,827)
2021	$(363,017)
2022	$(197,238)
2023	$ 1,331
Thereafter	$ 0

Note 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

A. Plan Description

The Commission provides certain continuing health care insurance benefits for its retired employees. The Commission's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Commission. The authority to establish and/or amend the obligation of the employer, employees and retirees rest with the Commission. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 ***Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit***.

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I" members). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Active Employees	137
Total	153

Total OPEB Liability

The Commission's total OPEB liability of $4,178,147 as of the reporting date of September 30, 2018, was measured as of September 30, 2017, and was determined by an actuarial valuation as of September 30, 2016.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2016, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.875%
Real wage growth	0.25%
Wage inflation	3.125%
Salary Increases, including wage inflation	3.375% - 5.125%
Municipal Bond Index Rate	
Prior Measurement Date	2.93%
Measurement Date	3.57%
Healthcare Cost Trend Rates:	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022

The discount rate used to measure the total OPEB Liability was based on September average of the Bond Buyers General Obligation 20 Year municipal bond index published weekly by The Bond Buyer.

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Post-retirement mortality rates on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service requirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2016, valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016, valuation.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.57 percent. The projection of cash flows used to determine the discount rate assumed that Commission contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Total OPEB Liability

Total OPEB Liability as of September 30, 2016	$4,253,207
Changes for the Year:	
Service Cost at the End of the Year (*)	196,309
Interest on Total OPEB Liability and Cash Flows	122,615
Difference between expected and actual experience	(2,672)
Changes of Assumptions or Other Inputs	(253,515)
Benefit Payments	(137,797)
Net Changes	(75,060)
Total OPEB Liability as of September 30, 2017	$4,178,147

(*) The service cost includes interest for the year.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.57%) or 1-percentage point higher (4.57%) than the current discount rate:

	1.0% Decrease (2.57%)	Current Discount Rate (3.57%)	1.0% Increase (4.57%)
Total OPEB Liability	$4,581,028	$4,178,147	$3,812,347

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current healthcare trend rates:

	1% Decrease	Current	1% Increase
Total OPEB Liability	$3,672,276	$4,178,147	$4,776,887

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Commission recognized OPEB expense of $282,011. At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	$ 2,261
Employer Contributions	135,256	
Changes in assumptions or other inputs		214,513
Total	$135,256	$216,774

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

Years Ending	
September 30, 2018	$(39,413)
2019	$(39,413)
2020	$(39,413)
2021	$(39,413)
2022	$(39,413)
Thereafter	$(19,709)

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.

Fiscal Year Ending	Governmental Activities
September 30, 2019	$ 306,479.37
2020	304,229.37
2021	306,729.37
2022	260,219.46
2023	223,251.00
2024-2028	890,750.00
Total Minimum Lease Payments	2,291,658.57
Less: Amount Representing Interest	(441,652.28)
Present Value of Net Minimum Lease Payments	$1,850,006.29

Note 9 – Long-Term Debt

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

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

During fiscal year 2017, the Commission obtained two capital leases to purchase equipment for the road department.

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

	Debt Outstanding 10/01/2017, as Restated (*)	Issued/ Increased	Repaid/ (Decreased)	Debt Outstanding 09/30/2018	Amounts Due Within One Year
Governmental Activities:					
Capital Lease Contracts Payable	$ 2,055,917.02	$	$ (205,910.73)	$ 1,850,006.29	$218,314.82
Total Leases Payable	2,055,917.02		(205,910.73)	1,850,006.29	218,314.82
Warrants Payable:					
General Obligation Warrants, 2009-A	9,440,000.00		(255,000.00)	9,185,000.00	265,000.00
General Obligation Warrants, 2009-B	1,755,000.00		(50,000.00)	1,705,000.00	50,000.00
Total Warrants Payable	11,195,000.00		(305,000.00)	10,890,000.00	315,000.00
Other Liabilities:					
Other Postemployment Benefits	3,874,246.25		(113,913.95)	3,760,332.30	
Net Pension Liability	2,518,920.79		(705,581.89)	1,813,338.90	
Estimated Liability for Compensated Absences	151,921.38	18,987.55		170,908.93	
Total Other Liabilities	6,545,088.42	18,987.55	(819,495.84)	5,744,580.13	
Total Governmental Activities Long-Term Liabilities	19,796,005.44	18,987.55	(1,330,406.57)	18,484,586.42	533,314.82
Business-Type Activities:					
Other Liabilities:					
Other Postemployment Benefits	378,960.75	38,853.95		417,814.70	
Net Pension Liability	202,372.21		(890.11)	201,482.10	
Estimated Liability for Landfill Postclosure Costs	796,506.76		(15,500.00)	781,006.76	
Estimated Liability for Compensated Absences	27,217.18		(5,026.68)	22,190.50	
Total Other Liabilities	1,405,056.90	38,853.95	(21,416.79)	1,422,494.06	
Total Business-Type Activities Long-Term Liabilities	$ 1,405,056.90	$38,853.95	$ (21,416.79)	$ 1,422,494.06	$

(*) The beginning balances were restated as discussed in Note 15.

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 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, 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	365,000.00	447,656.25	175,001.00	48,250.00	1,035,907.25
2024-2028	2,055,000.00	1,982,628.14	790,000.00	100,750.00	4,928,378.14
2029-2033	2,520,000.00	1,457,515.64			3,977,515.64
2034-2038	3,140,000.00	774,437.50			3,914,437.50
2039-2040	1,475,000.00	74,831.25			1,549,831.25
Total	$10,890,000.00	$6,669,206.28	$1,850,006.29	$441,652.28	$19,850,864.85

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 $2,006,250.00 are pledged to repay the principal and interest on the warrants as of September 30, 2018. Proceeds from jail fees in the amount of $240,761.10 were received by the Commission during the fiscal year ended September 30, 2018. From that amount principal and interest were paid on the warrants of $221,000.00. 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 $17,559,206.28 are pledged to repay the principal and interest on the warrants as of September 30, 2018. Sales tax proceeds in the amount of $501,748.15 were received by the Commission during the fiscal year ended September 30, 2018. This amount along with additional funds received from the General Fund was used to pay principal and interest of $819,025.00. 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 $285,408.57 are pledged to repay the principal and interest on the leases as of September 30, 2018. Principal and interest payments of $82,229.37 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 $781,006.76, as of September 30, 2018, 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 jo 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 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, 2018, were reported as follows:

	Due to Other Funds				
				Enterprise Fund	
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Solid Waste Fund	Totals
Due from Other Funds					
Governmental Funds:					
General Fund	$	$9,697.74	$7,263.87	$30,387.22	$ 47,348.83
Gasoline Tax Fund	193,432.79				193,432.79
Reappraisal Fund	2,010.00				2,010.00
Other Governmental Funds	36,957.14		1,436.01		38,393.15
Proprietary Funds:					
Solid Waste Fund	135,000.00				135,000.00
Total	$367,399.93	$9,697.74	$8,699.88	$30,387.22	$416,184.77

Due To/From External Parties

	Due to External Parties			
	General Fund	Other Governmental Funds	Agency Funds	Totals
Due from External Parties:				
General Fund	$	$	$351,369.24	$351,369.24
Agency Funds	35,310.29	4,299.08		39,609.37
Private-Purpose Trust Funds		609.08	24,334.55	24,943.63
Totals	$35,310.29	$4,908.16	$375,703.79	$415,922.24

Interfund Transfers

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

	Transfers In		
	General Fund	Other Governmental Funds	Total
Transfers Out:			
General Fund	$	$866,803.13	$ 866,803.13
Other Governmental Funds	186,112.11		186,112.11
Totals	$186,112.11	$866,803.13	$1,052,915.24

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 Department of Human Resources
Board of Trustees of the Lawrence County Public Library
Lawrence County Farmer's Market

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.

On March 12, 2021, the Commission entered into a note payable in the amount of $615,712.00 from CB&S Bank to purchase four dump trucks. The maturity date for the note payable is March 12, 2026 and bears an interest rate of 2.73%. The payments will be made quarterly in the amount of $33,041.64 and will be repaid from the Gasoline Tax Fund.

The United States encountered a COVID-19 pandemic which adversely affected 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 were modified to ensure the safety of citizenry as well as employees. As a result of the pandemic, there was an impact on the Lawrence County Commission's revenues. Lawrence County Commission gasoline tax revenues decreased by $144,909.41 in fiscal year 2020 as compared to the previous fiscal year. As expected, the Lawrence County Commission incurred a significant increase in costs associated with the aftermath of COVID-19. These costs, in the amount of $1,119,581.00 were reimbursed through the Coronavirus Relief Fund of the federal government during fiscal years 2020 and 2021. The Lawrence County Commission's fiscal year 2021 budget, as approved by the county commission, provided for several changes in anticipated revenues and estimated expenditures for many of the funds of the Commission as compared to the previous fiscal year. Due to the impact and severity of the COVID-19 pandemic, the Lawrence County Commission anticipates that its financial operations will require further assistance from programs of the federal government.

Note 15 – Restatement

In fiscal year 2018, the Commission adopted Governmental Accounting Standards Board Statement Number 75 (GASB 75), ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)***, as amended by GASB Statement Number 85, ***Omnibus 2017***. The provisions of GASB Statement Number 75 established accounting and financial reporting standards for postemployment benefits other than pensions that are provided to the employees of state and local governmental employers through OPEB plans. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Commission's financial statements. Actuarial computed beginning OPEB balances were determined. For fiscal year 2018, the Commission made prior period adjustments due to the adoption of GASB Statement Number 75 which required the restatement of the September 30, 2017, net position in Governmental Activities and Business-Type Activities. The result is a significant decrease in net position at October 1, 2017, of $2,091,638.55 for governmental activities and $202,945.45 for business-type activities. The impact of this restatement on net position is as follows:

	Governmental Activities	Business-Type Activities	Total
Net Position, September 30, 2017, as Previously Reported	$15,396,324.83	$2,440,488.25	$17,836,813.08
Restatement Due to the Adoption of GASB Statement Number 75:			
OPEB Liability Due to Actuarial Computation	(2,215,655.85)	(216,725.15)	(2,432,381.00)
Deferred Outflows Related to Employer OPEB Contributions	124,017.30	13,779.70	137,797.00
Net Position, September 30, 2017, as Restated	$13,304,686.28	$2,237,542.80	$15,542,229.08

Required Supplementary Information

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

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 417,102	$ 434,321	$ 481,189	$ 476,667
Interest	1,373,310	1,395,524	1,418,586	1,353,223
Changes in assumptions		480,744		
Difference between expected and actual experience	67,756	(999,317)	(1,175,932)	
Benefit payments, including refunds of employee contributions	(1,167,422)	(947,288)	(1,076,956)	(948,744)
Transfers among employers	61,250	22,165		
Net change in total pension liability	751,996	386,149	(353,113)	881,146
Total pension liability - beginning	18,303,839	17,917,690	18,270,803	17,389,657
Total pension liability - ending (a)	$ 19,055,835	$ 18,303,839	$ 17,917,690	$ 18,270,803
Plan fiduciary net position				
Contributions - employer	$ 267,796	$ 358,040	$ 328,113	$ 340,863
Contributions - employee	333,940	366,152	377,717	402,311
Net investment income	1,962,904	1,449,554	170,201	1,582,432
Benefit payments, including refunds of employee contributions	(1,167,422)	(947,288)	(1,076,956)	(948,744)
Other (Transfers among employers)	61,250	22,165	6,041	(278,656)
Net change in plan fiduciary net position	1,458,468	1,248,623	(194,884)	1,098,206
Plan fiduciary net position - beginning	15,582,546	14,333,923	14,528,807	13,430,601
Plan fiduciary net position - ending (b)	$ 17,041,014	$ 15,582,546	$ 14,333,923	$ 14,528,807
Commission's net pension liability - ending (a) - (b)	$ 2,014,821	$ 2,721,293	$ 3,583,767	$ 3,741,996
Plan fiduciary net position as a percentage of the total pension liability	89.43%	85.13%	80.00%	79.52%
Covered payroll (*)	$ 4,564,499	$ 4,831,633	$ 4,982,326	$ 5,168,944
Commission's net pension liability as a percentage of covered payroll	44.14%	56.32%	71.93%	72.39%

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

	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	$ 248,334	$ 267,796	$ 358,040	$ 328,113	$ 340,863
Contributions in relation to the actuarially determined contribution (*)	$ 248,334	$ 267,796	$ 358,040	$ 328,113	$ 340,863
Contribution deficiency (excess)	$	$	$	$	$
Covered payroll (**)	$ 4,839,158	$ 4,564,499	$ 4,831,633	$ 4,982,326	$ 5,168,944
Contributions as a percentage of covered payroll	5.13%	5.87%	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 statement.

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	20.8 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.

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Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability For the Year Ended September 30, 2018

		2017
Total OPEB Liability		
Service cost	$	196,309
Interest		122,615
Differences between expected and actual experience		(2,672)
Changes of Assumptions		(253,515)
Benefit payments		(137,797)
Net change in total OPEB liability		(75,060)
Total OPEB Liability - Beginning		4,253,207
Total OPEB Liability - Ending	$	4,178,147
Covered-employee payroll	$	4,822,819
Total OPEB liability as a percentage of covered-employee payroll		86.63%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended September 30, 2018.

Changes in Assumptions: The discount rate as of September 30, 2016, was 2.93% and it changed to 3.57% as of September 30, 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
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2018

		2018
Contractually determined contribution (*)	$	135,256
Contributions in relation to the actuarially determined contribution	$	135,256
Contribution deficiency (excess)	$	
Covered-employee payroll	$	4,839,158
Contributions as a percentage of covered-employee payroll		2.80%

(*) Per Actuary Report, there were no actuarially determined contributions. However, premiums charged to the employer by the plan are reflected.

Notes to Schedule

Valuation date: September 30, 2016

Actuarially determined contribution rates are calculated as of September 30, of the last day of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Inflation	2.875% annually
Healthcare cost trend rates:	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Salary increases, including wage inflation	3.375% - 5.125%
Municipal Bond Index Rate:	
Prior Measurement Date	2.93%
Measurement Date	3.57%
Retirement age	25 years of service at any age or attainment of age 60 and 10 years of service; employees hired on and after January 1, 2013, are not eligible to retire until age 62 with 10 years of service.
Mortality:	
Deaths Before Retirement	RP-2000 Employee base rates projected to 2020 using Scale BB. Rates are adjusted 70% for males and 50% for females.
Deaths After Retirement	RP-2000 Blue Collar base rates projected to 2020 using Scale BB. Rates are adjusted by 125% for males at all ages and 120% for females at ages on and after age 78.
Deaths After Retirement (Disabled)	RP-2000 Disabled Retiree base rates projected to 2020 using Scale BB. Rates are adjusted by 130% for females at all ages.

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

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

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Taxes	$ 2,966,664.45	$ 2,966,664.45	$ 3,267,740.10	(1)	$ 1,107,072.61	$ 4,374,812.71
Licenses and Permits	50,000.00	50,000.00	151,747.94	(1)	6,044.44	157,792.38
Intergovernmental	1,643,200.00	1,643,200.00	1,683,156.26	(1)	52,018.75	1,735,175.01
Charges for Services	695,800.00	695,800.00	518,643.36			518,643.36
Miscellaneous	339,250.00	339,250.00	674,835.41	(1)	402,901.71	1,077,737.12
Total Revenues	5,694,914.45	5,694,914.45	6,296,123.07	(1)	1,568,037.51	7,864,160.58
Expenditures						
Current:						
General Government	2,006,294.94	2,006,294.94	2,338,766.50	(2)	699,486.85	3,038,253.35
Public Safety	3,241,788.99	3,241,788.99	3,419,125.65			3,419,125.65
Highways and Roads			2,472.54			2,472.54
Health	45,150.00	45,150.00	58,864.52			58,864.52
Welfare	101,800.00	101,800.00	113,644.99	(2)	178,597.62	292,242.61
Culture and Recreation	167,198.13	167,198.13	143,136.07			143,136.07
Education	44,164.00	44,164.00	43,991.11			43,991.11
Capital Outlay	68,141.84	68,141.84	166,754.48			166,754.48
Total Expenditures	5,674,537.90	5,674,537.90	6,286,755.86	(2)	878,084.47	7,164,840.33
Excess (Deficiency) of Revenues Over Expenditures	20,376.55	20,376.55	9,367.21		689,953.04	699,320.25
Other Financing Sources (Uses)						
Transfers In			186,112.11			186,112.11
Transfers Out			(179,550.00)	(3)	(687,253.13)	(866,803.13)
Total Other Financing Sources (Uses)			6,562.11	(3)	(687,253.13)	(680,691.02)
Net Change in Fund Balances	20,376.55	20,376.55	15,929.32	(4)	2,699.91	18,629.23
Fund Balances - Beginning of Year			(114,080.98)		707,835.46	593,754.48
Fund Balances - End of Year	$ 20,376.55	$ 20,376.55	$ (98,151.66)		$ 710,535.37	$ 612,383.71

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

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	$	501,904.43		
Public Roads, Buildings and Bridges Fund		611,681.30		
Reappraisal Fund		207.62		
Program on Aging Fund		67,971.44		
Fuel System Fund		386,272.72	$	1,568,037.51
(2) Expenditures				
Public Roads, Buildings and Bridges Fund	$	(311,371.72)		
Program on Aging Fund		(178,597.62)		
Fuel System Fund		(388,115.13)		(878,084.47)
(3) Other Financing Sources/(Uses), Net				
Sales Tax Administrative Fund	$	(687,253.13)		(687,253.13)
Net Increase in Fund Balance - Budget to GAAP			$	2,699.91

(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 September 30, 2018

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
Revenues					
Intergovernmental	$ 2,365,536.65	$ 2,365,536.65	$ 3,555,883.58	$	$ 3,555,883.58
Miscellaneous			192,680.88		192,680.88
Total Revenues	2,365,536.65	2,365,536.65	3,748,564.46		3,748,564.46
Expenditures					
Current:					
Highways and Roads	2,259,749.00	2,259,749.00	2,938,333.33		2,938,333.33
Capital Outlay	93,000.00	93,000.00	667,316.76		667,316.76
Debt Service			82,229.37		82,229.37
Total Expenditures	2,352,749.00	2,352,749.00	3,687,879.46		3,687,879.46
Excess (Deficiency) of Revenues Over Expenditures	12,787.65	12,787.65	60,685.00		60,685.00
Net Change in Fund Balances	12,787.65	12,787.65	60,685.00		60,685.00
Fund Balances - Beginning of Year			1,108,752.52		1,108,752.52
Fund Balances - End of Year	$ 12,787.65	$ 12,787.65	$ 1,169,437.52	$	$ 1,169,437.52

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

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
Revenues					
Taxes	$ 702,860.00	$ 702,860.00	$ 463,825.14	$	$ 463,825.14
Total Revenues	702,860.00	702,860.00	463,825.14		463,825.14
Expenditures					
Current:					
General Government	632,860.00	632,860.00	463,825.14		463,825.14
Capital Outlay	70,000.00	70,000.00			
Total Expenditures	702,860.00	702,860.00	463,825.14		463,825.14
Excess (Deficiency) of Revenues Over Expenditures					
Net Change in Fund Balances					
Fund Balances - Beginning of Year					
Fund Balances - End of Year	$	$	$	$	$

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Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
U. S. Department of Agriculture				
Passed Through the Alabama Department of Finance				
Schools and Roads - Grants to States	10.665	N/A	$ 91,865.39	$ 183,730.78
U. S. Department of Interior				
Direct Program				
Payments in Lieu of Taxes	15.226	N/A		193,811.00
U. S. Department of Justice				
Passed Through Alabama Department of Economic and Community Affairs				
Violence Against Women Formula Grants	16.588	16 WF LE 008		32,036.47
Violence Against Women Formula Grants	16.588	17 WF LE 006		61,056.89
Sub-Total Violence Against Women Formula Grants				93,093.36
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15 DJ LC 060		24,000.00
Passed Through Winston County Commission				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16-DJ-LC-031		24,706.28
Sub-Total Edward Byrne Memorial Justice Assistance Grant Program				48,706.28
Total U. S. Department of Justice				141,799.64
U. S. Department of Transportation				
Passed Through Alabama Department of Transportation				
Airport Improvement Program	20.106	012-2017		476,258.00
Passed Through Franklin County Commission				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	18-SP-PT-003		8,985.18
National Priority Safety Programs	20.616	18-HD-M5-003		17,553.32
Total Highway Safety Cluster				26,538.50
Total U. S. Department of Transportation				502,796.50
U. S. Department of Health and Human Services				
Passed Through North Alabama Regional Council of Local Governments				
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	N/A		9,025.00
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A		45,250.00
Total U. S. Department of Health and Human Services				54,275.00
Sub-Total Forward			$ 91,865.39	$ 1,076,412.92

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
Sub-Total Brought Forward			$ 91,865.39	$ 1,076,412.92
U. S. Department of Homeland Security				
Passed Through Alabama Department of Emergency Management				
Emergency Management Performance Grants	97.042	1EMF		27,783.00
U. S. General Services Administration				
Passed Through Alabama Department of Economic and Community Affairs				
Donation of Federal Surplus Personal Property (N)	39.003	N/A		2,389.56
Other Federal Assistance				
Tennessee Valley Authority				
Passed Through Alabama Department of Emergency Management				
Radiological Emergency Plans	62.unknown	9TVA		166,244.00
Total Expenditures of Federal Awards			$ 91,865.39	$ 1,272,829.48

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

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

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2018

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Lawrence County Commission and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of the Lawrence County Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Lawrence County Commission.

Note 2 – Summary of Significant Accounting Policies

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

Additional Information

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

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

(*) Mose Jones, Jr. served as Chairman from February 2018 to the end of the audit period.
(**) Norman Pool served as Chairman from May 2017 until January 2018.

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 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, 2018, and the related notes to the financial statements, which collectively comprise the Lawrence County Commission's basic financial statements, and have issued our report thereon dated May 18, 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

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

May 18, 2021

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 18, 2021

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Section I – Summary of Examiner's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.106	Airport Improvement Grant
62.unknown	Radiological Emergency Plans

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

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

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings

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

ADMINISTRATOR
Heather Dyar

County Commission

1200I AL Highway 157
Annex 3 Suite 1
PO Box 307
Moulton, Alabama 35650

Telephone: 256.974.0663
Fax: 256.974.2403

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2018

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Lawrence County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2018.

Finding Ref. No.	Status of Prior Audit 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. **Corrective Action was taken.** **Completion Date: September 2017**