

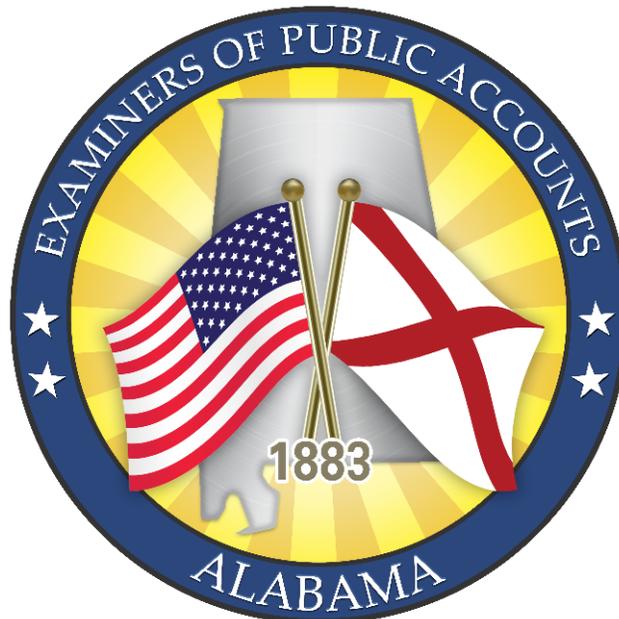
Report on the

# Macon County Commission

Macon County, Alabama

October 1, 2016 through September 30, 2017

Filed: March 27, 2020



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
Chief Examiner

State of Alabama  
Department of  
**Examiners of Public Accounts**

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

Dear Madam:

An audit was conducted on the Macon County Commission, Macon County, Alabama, for the period October 1, 2016 through September 30, 2017, by Examiners Larcus Fuller and Bret Hudson. I, Larcus Fuller, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I submit this report to you on the results of the audit.

Sworn to and subscribed before me this  
the 3 day of February, 2020.

Anquanete Nelms  
Notary Public

Respectfully submitted,

Larcus Fuller  
Larcus Fuller  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

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

The Macon County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Macon County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 17. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services, and educational services to the citizens of Macon County.

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

An unmodified opinion was issued on the basic financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2017.

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

**CURRENT FINDINGS**

- ◆ 2017-001 relates to the Commission’s failure to comply with the County Commissioners’ bond requirements.
- ◆ 2017-002 relates to the Commission’s failure to comply with the Public Works Law.

Findings that were presented in prior audits have not been resolved as shown on the Schedule of State and Local Compliance and Other Findings and they are summarized below.

**CURRENT FINDINGS – REPORTED IN PRIOR AUDIT**

- ◆ 2017-003 relates to the Commission expending Reappraisal funds for obligations of the General Fund and Gasoline Tax Fund. This finding was previously reported as Finding 2016-003 and Finding 2016-004.
- ◆ 2017-004 relates to the Commission’s failure to comply with the Alabama Competitive Bid Law. This finding was previously reported as Finding 2016-006.
- ◆ 2017-005 relates to the Commission’s failure to distribute the county beverage tax in accordance with applicable law. This finding was previously reported as Finding 2016-007.
- ◆ 2017-006 relates to the Commission’s failure to maintain a listing of payables recorded in its Agency Funds. This finding was previously reported as Finding 2014-001.
- ◆ 2017-007 relates to the Commission loaning Capital Improvement funds to the General Fund. This finding was previously reported as Finding 2013-008.
- ◆ 2017-008 relates to the Commission budgeting fund deficits. This finding was previously reported as Finding 2008-003.
- ◆ 2017-009 relates to deficit fund balances. This finding was previously reported as Finding 2007-001.

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

- ◆ 2017-010 relates to the Commission’s failure to include all financial transactions on its financial statements. This finding was previously reported as Finding 2015-001.
- ◆ 2017-011 relates to the Commission’s failure to establish internal controls to mitigate the lack of segregation of duties. This finding was previously reported as Finding 2015-002.
- ◆ 2017-012 relates to the Commission’s failure to reconcile retirement remittances to retirement expenses recorded in the financial statements. This finding was previously reported as Finding 2014-002.

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

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*Schedule of State and Local  
Compliance and Other Findings*

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***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2017***

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Ref. No.	Finding/Noncompliance
2017-001	<p><b><u>Finding:</u></b> Chapter 2 of Title 11 of the <i>Code of Alabama 1975</i>, requires each County Commissioner to obtain an official bond for the faithful performance of their duties. It also requires each bond to be filed in the office of the Probate Judge no later than the date the Commissioner takes office. There was a lapse in bond coverage for the Commission Chairman between November 12, 2016 through November 12, 2018, which includes the audit period being tested. The Commission did not have procedures in place to ensure the Commission Chairman was bonded as required. As a result, the Commission failed comply with applicable laws regarding bond requirements for county officials.</p> <p><b><u>Recommendation:</u></b> Commissioners should be bonded in accordance with Chapter 2 of Title 11 of the <i>Code of Alabama 1975</i>, and bonds should be filed in the office of the Probate Judge no later than the date the Commissioner takes office.</p>

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***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2017***

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

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***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2017***

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Ref. No.	Finding/Noncompliance
2017-003	<p><b><u>Finding:</u></b> The Reappraisal Fund accounts for property taxes and other revenues required to be expended for the costs of the property reappraisal program. The Alabama Department of Revenue has promulgated rules and regulations regarding the expenditure of this money pursuant to the <i>Code of Alabama 1975</i>, Section 40-7-61. During the fiscal year ended September 30, 2017, the Commission transferred restricted money from the Reappraisal Fund to other funds for payroll-related obligations of the General Fund (\$241,336.90) and the Gasoline Tax Fund (\$73,157.19), none of which were for the property reappraisal program. The Commission failed to establish procedures to ensure Reappraisal Fund monies were only expended for the cost of the property reappraisal program. As a result, these uses were not for the property reappraisal program, and therefore, were not approved by the Alabama Department of Revenue resulting in noncompliance with requirements as prescribed in the <i>Code of Alabama 1975</i>, Section 40-7-61.</p> <p>This finding was previously reported as Finding 2016-003 and Finding 2016-004.</p> <p><b><u>Recommendation:</u></b> The Commission should expend restricted money in the Reappraisal Fund only for the property reappraisal program as approved by the Alabama Department of Revenue in accordance with the <i>Code of Alabama 1975</i>, Section 40-7-61.</p>

***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2017***

Ref. No.	Finding/Noncompliance
2017-004	<p><b><u>Finding:</u></b>  The <i>Code of Alabama 1975</i>, Section 41-16-52(c), provides all expenditures of funds of whatever nature for the leasing of heavy duty off-highway construction equipment involving a monthly rental of not more than five thousand dollars (\$5,000) per month per piece of equipment or machinery but not to exceed fifteen thousand dollars (\$15,000) per month for all such pieces of equipment shall be made, at the option of the Commission, without having to solicit bids as required by the <i>Code of Alabama 1975</i>, Section 41-16-50. The Commission paid \$6,925.20 and \$5,336.00 monthly for the rental of an excavator and a dozer, respectively, during the 2017 fiscal year without soliciting bids. The Commission did not have procedures in place to ensure the monthly rental fee limits specified in the <i>Code of Alabama 1975</i>, Section 41-16-52(c) were not exceeded. As a result, since the monthly rental limit was exceeded, the equipment should have been bid in accordance with the <i>Code of Alabama 1975</i>, Section 41-16-50.</p> <p>This finding was previously reported as Finding 2016-006.</p> <p><b><u>Recommendation:</u></b>  The Commission should competitively bid all expenditure of funds of whatever nature for labor, services, work, or purchases of materials, equipment, supplies, or other personal property involving \$15,000 or more as required by the <i>Code of Alabama 1975</i>, Section 41-16-50, unless the expenditure meets the requirements set forth in the <i>Code of Alabama 1975</i>, Section 41-16-52(c).</p>
2017-005	<p><b><u>Finding:</u></b>  The <i>Code of Alabama 1975</i>, Section 45-44-20.02(b), requires the Commission to distribute \$40,000 per year of the proceeds from the county beverage tax to the Macon County Public Library. During the 2017 fiscal year, the Commission only distributed \$27,410.87 to the Macon County Public Library. The Commission failed to establish procedures to ensure the correct amount of county beverage taxes were paid to the Macon County Public Library. As a result, the Commission did not pay the Macon County Public Library the proper amount of county beverage tax as required by law.</p> <p>This finding was previously reported as Finding 2016-007.</p> <p><b><u>Recommendation:</u></b>  The Commission should distribute \$40,000 each year to the Macon County Public Library as required by the <i>Code of Alabama 1975</i>, Section 45-44-20.02(b).</p>

***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2017***

Ref. No.	Finding/Noncompliance
2017-006	<p><b><u>Finding:</u></b>  Generally accepted accounting principles provide for the use of Agency Funds which are maintained by the County Commission to report assets held by the Commission in a purely custodial capacity. Amounts held in these funds are payable to other parties. For the fiscal year ended September 30, 2017, there was no complete, detailed listing to support the amounts reflected in the Agency Funds as due to other parties. The Commission failed to maintain a complete, detailed listing of the payables to support the amount recorded in its Agency Funds resulting in funds on hand of whom the rightful owner is unknown.</p> <p>This finding was previously reported as Finding 2014-001.</p> <p><b><u>Recommendation:</u></b>  The Commission should maintain lists, printouts or other supporting documentation to accurately support the payable balances of the Agency Funds.</p>
2017-007	<p><b><u>Finding:</u></b>  The <i>Code of Alabama 1975</i>, Section 11-29-6, the legal authority for the Capital Improvement Fund, restricts money in this fund to only be used to assist in the restoration and improvement of county government buildings, bridges, roads, streets, and other facilities, and to promote the health, safety, and public welfare of the citizens of the State. During testing, the following issues were noted:</p> <ul style="list-style-type: none"> <li>✓ The Commission made loans from the Capital Improvement Fund to the General Fund during fiscal year 2017. The Commission was unable to provide documentation that expenditures made by the General Fund were in accordance with the <i>Code of Alabama 1975</i>, Section 11-29-6. At September 30, 2017, the General Fund owed the Capital Improvement Fund \$1,221,175.00 as recorded on the financial statements.</li> <li>✓ The Commission entered into a capital lease on December 28, 2016, in the amount of \$239,345.00 for the lease purchase of Sheriff's Department vehicles. This lease is being accounted for and lease payments are being paid from the Capital Improvement Fund which does not appear to be an allowable use of the Capital Improvement Fund.</li> </ul> <p>The Commission did not have procedures in place to ensure the restricted money included in the Capital Improvement Fund was spent for allowable purposes resulting in noncompliance with the <i>Code of Alabama 1975</i>, Section 11-29-6.</p> <p>This finding was previously reported as Finding 2013-008.</p> <p><b><u>Recommendation:</u></b>  The Commission should expend restricted money in the Capital Improvement Fund in accordance with the <i>Code of Alabama 1975</i>, Section 11-29-6.</p>

***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2017***

Ref. No.	Finding/Noncompliance						
2017-008	<p><b><u>Finding:</u></b>  The <i>Code of Alabama 1975</i>, Section 11-8-3, requires the Commission to budget appropriations that are not in excess of estimated total revenues available for appropriations. For fiscal year 2017, the Commission did not take existing deficit fund balances into account when preparing the budget for the 2017 fiscal year. The Commission did not have policies and procedures in place to ensure compliance with this legal requirement. As a result, the Commission approved a budget in which budget appropriations exceeded estimated total revenues available.</p> <p>This finding was previously reported as Finding 2008-003.</p> <p><b><u>Recommendation:</u></b>  The Commission should budget appropriations within the estimated total revenues available for appropriations in accordance with the <i>Code of Alabama 1975</i>, Section 11-8-3.</p>						
2017-009	<p><b><u>Finding:</u></b>  The <i>Code of Alabama 1975</i>, Section 11-8-10, states the Commission shall not issue warrants until funds are available. The Commission did not have policies and procedures in place to ensure compliance with this legal requirement. During fiscal year 2017, the Commission issued warrants in the accounting software without funds available resulting in deficit fund balances at September 30, 2017, of the following funds listed below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Fund</th> <th style="text-align: right;">Deficit Fund Balance</th> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td style="text-align: right;">\$2,897,304.53</td> </tr> <tr> <td>Gasoline Tax Fund</td> <td style="text-align: right;">\$ 213,088.50</td> </tr> </tbody> </table> <p>This finding was previously reported as Finding 2007-001.</p> <p><b><u>Recommendation:</u></b>  The Commission should issue warrants only from available funds and should not enter into obligations exceeding available resources.</p>	Fund	Deficit Fund Balance	General Fund	\$2,897,304.53	Gasoline Tax Fund	\$ 213,088.50
Fund	Deficit Fund Balance						
General Fund	\$2,897,304.53						
Gasoline Tax Fund	\$ 213,088.50						

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*Independent Auditor's Report*

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Macon County Commission as listed in the table of contents as Exhibits 1 through 8.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Commission, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

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

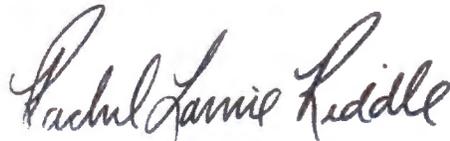
### *Supplementary Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020, on our consideration of the Macon County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Macon County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Macon County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

January 30, 2020

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# *Basic Financial Statements*

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

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 987,022.91
Cash with Fiscal Agent	149,003.83
Investments	380,278.18
Ad Valorem Taxes Receivable	1,865,406.60
Receivables, Net (Note 4)	266,360.53
Capital Assets (Note 5)	18,307,419.78
Total Assets	21,955,491.83
<b>Deferred Outflows of Resources</b>	
Unamortized Deferred Loss on Refunding Related to Defined Benefit Pension Plan	211,516.68
Total Deferred Outflows of Resources	672,419.46
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Cash Deficit	1,623,694.22
Accounts Payable	57,292.97
Unearned Revenue	199,369.92
Salaries and Benefits Payable	337,831.32
Accrued Interest Payable	39,873.96
Long-Term Liabilities:	
Portion Payable Within One Year:	
Funding Agreement Payable	100,000.00
Warrants Payable	200,000.00
Capital Leases Payable	102,343.53
Less: Unamortized Discount	(7,887.89)
Estimated Liability for Compensated Absences	36,345.52
Portion Payable After One Year:	
Funding Agreement Payable	4,295,000.00
Warrants Payable	5,190,000.00
Capital Leases Payable	344,856.22
Less: Unamortized Discount	(149,999.54)
Net Pension Liability	2,148,493.00
Estimated Liability for Compensated Absences	327,109.64
Total Liabilities	\$ 14,844,322.87

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

	<b>Governmental Activities</b>
<hr/>	
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	\$ 1,865,406.60
Revenue Received in Advance - Motor Vehicle Taxes	106,565.32
Related to Defined Benefit Pension Plan	<u>485,978.00</u>
Total Deferred Inflows of Resources	<u>2,457,949.92</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	8,468,758.12
Restricted for:	
Capital Projects	1,497,209.53
Highways and Roads	158,650.49
Debt Service	34,334.62
Other Purposes	620,814.97
Unrestricted	<u>(5,242,612.55)</u>
Total Net Position	<u><u>\$ 5,537,155.18</u></u>

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

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General Government	\$ 2,652,018.91	\$ 718,807.27	\$ 250,565.52
Public Safety	2,834,467.98	431,901.45	77,877.59
Highways and Roads	4,342,337.00	164,642.43	3,957,529.79
Sanitation	170,508.15	24,998.00	
Welfare	114,120.59		55,056.28
Culture and Recreation	128,728.94	13,950.00	
Education	6,750.00		
Interest and Fiscal Charges	531,789.27		
Intergovernmental	85,899.15		
Total Governmental Activities	<u>\$ 10,866,619.99</u>	<u>\$ 1,354,299.15</u>	<u>\$ 4,341,029.18</u>

**General Revenues:**

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

County Sales and Use Tax

Miscellaneous Taxes

Interest Earned

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 233,420.28	\$ (1,449,225.84)
	(2,324,688.94)
	(220,164.78)
	(145,510.15)
	(59,064.31)
	(114,778.94)
	(6,750.00)
	(531,789.27)
	(85,899.15)
<u>\$ 233,420.28</u>	<u>(4,937,871.38)</u>

2,011,479.41
417,394.19
1,348,522.15
438,355.26
9,104.56
690,207.21
<u>4,915,062.78</u>
(22,808.60)
<u>5,559,963.78</u>
<u>\$ 5,537,155.18</u>

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

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$	\$
Cash with Fiscal Agent		
Investments		
Ad Valorem Taxes Receivable, Net	1,243,621.54	
Receivables, Net (Note 4)	78,339.21	102,132.69
Interfund Receivables		
Total Assets	<u>1,321,960.75</u>	<u>102,132.69</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Cash Deficit	1,414,720.83	208,973.39
Accounts Payable	5,965.43	36,263.43
Unearned Revenue		
Interfund Payables	1,221,175.00	
Accrued Wages Payable	248,355.71	69,984.37
Total Liabilities	<u>2,890,216.97</u>	<u>315,221.19</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	1,243,621.54	
Revenue Received in Advance - Motor Vehicle Taxes	85,426.77	
Total Deferred Inflows of Resources	<u>1,329,048.31</u>	
<b><u>Fund Balances</u></b>		
Restricted for:		
Highways and Roads		
Capital Projects		
Debt Service		
Other Purposes		
Assigned to:		
Other Purposes		
Unassigned	(2,897,304.53)	(213,088.50)
Total Fund Balances	<u>(2,897,304.53)</u>	<u>(213,088.50)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,321,960.75</u>	<u>\$ 102,132.69</u>

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

Capital Improvement Fund	Indigent Care Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 240,932.39	\$ 209,298.43	\$ 211,879.04	\$ 324,913.05	\$ 987,022.91
46,655.14	333,623.04		149,003.83	149,003.83
		368,684.78	253,100.28	380,278.18
			85,888.63	1,865,406.60
1,221,175.00				266,360.53
1,508,762.53	542,921.47	580,563.82	812,905.79	1,221,175.00
				4,869,247.05
				1,623,694.22
11,553.00			3,511.11	57,292.97
		199,369.92		199,369.92
				1,221,175.00
		12,509.12	6,982.12	337,831.32
11,553.00		211,879.04	10,493.23	3,439,363.43
				1,865,406.60
		368,684.78	253,100.28	106,565.32
				1,971,971.92
				267,036.74
1,497,209.53			267,036.74	1,497,209.53
			74,208.58	74,208.58
	542,921.47		89,358.27	632,279.74
			97,570.14	97,570.14
				(3,110,393.03)
1,497,209.53	542,921.47		528,173.73	(542,088.30)
\$ 1,508,762.53	\$ 542,921.47	\$ 580,563.82	\$ 812,905.79	\$ 4,869,247.05

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ (542,088.30)

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

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

Capital Assets 18,307,419.78

Losses on refunding of debt are reported as deferred outflows of resources and  
are not available to pay for current-period expenditures and, therefore, are deferred  
on the Statement of Net Position. 211,516.68

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

	Due or Payable Within One Year	Due or Payable After One Year	
Funding Agreement Payable	\$ 100,000.00	\$ 4,295,000.00	
Accrued Interest Payable	39,873.96		
Warrants Payable	200,000.00	5,190,000.00	
Capital Leases Payable	102,343.53	344,856.22	
Unamortized Discount	(7,887.89)	(149,999.54)	
Estimated Liability for Compensated Absences	36,345.52	327,109.64	
Pension Liability		2,148,493.00	
Total Liabilities	\$ 470,675.12	\$ 12,155,459.32	(12,626,134.44)

Deferred outflows and inflows of resources related to pensions are applicable to future  
periods and, therefore, are not reported in the governmental funds.

Deferred Inflows Related to Net Pension Liability	\$ (485,978.00)	
Deferred Outflows Related to Net Pension Liability	672,419.46	
		186,441.46

Total Net Position - Governmental Activities (Exhibit 1) \$ 5,537,155.18

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

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

	<b>General Fund</b>	<b>Gasoline Tax Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 2,820,345.89	\$
Licenses and Permits	180,923.85	
Intergovernmental	337,727.53	2,970,002.66
Charges for Services	678,859.95	164,642.43
Miscellaneous	219,760.76	463,703.68
Total Revenues	<u>4,237,617.98</u>	<u>3,598,348.77</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	1,989,761.19	
Public Safety	2,547,177.14	
Highways and Roads		3,075,639.63
Sanitation	166,978.60	
Welfare	14,400.00	
Culture and Recreation	95,979.82	
Education	6,750.00	
Capital Outlay		673,291.00
Debt Service:		
Principal Retirement		29,230.31
Interest and Fiscal Charges		7,286.52
Intergovernmental		
Total Expenditures	<u>4,821,046.75</u>	<u>3,785,447.46</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(583,428.77)</u>	<u>(187,098.69)</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	18,670.83	216,339.51
Proceeds from Issuance of Debt		284,954.00
Transfers Out	(40,100.00)	(205,406.93)
Total Other Financing Sources (Uses)	<u>(21,429.17)</u>	<u>295,886.58</u>
Net Change in Fund Balances	(604,857.94)	108,787.89
Fund Balances - Beginning of Year	<u>(2,292,446.59)</u>	<u>(321,876.39)</u>
Fund Balances - End of Year	<u>\$ (2,897,304.53)</u>	<u>\$ (213,088.50)</u>

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

Capital Improvement Fund	Indigent Care Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$ 359,705.30	\$ 773,438.73	\$ 3,953,489.92
			4,665.58	185,589.43
233,420.28			1,334,094.50	4,875,244.97
			286,672.92	1,130,175.30
4,326.55	7,764.28	1,809.34	1,947.16	699,311.77
237,746.83	7,764.28	361,514.64	2,400,818.89	10,843,811.39
235,194.38		361,514.64	62,460.97	2,648,931.18
4,133.00			139,806.29	2,691,116.43
			992,999.99	4,068,639.62
				166,978.60
			99,720.59	114,120.59
				95,979.82
				6,750.00
239,345.08				912,636.08
47,869.02			295,000.00	372,099.33
6,144.96			492,490.05	505,921.53
			85,899.15	85,899.15
532,686.44		361,514.64	2,168,377.04	11,669,072.33
(294,939.61)	7,764.28		232,441.85	(825,260.94)
239,345.08			974,892.51	1,209,902.85
			(964,395.92)	524,299.08
239,345.08			10,496.59	(1,209,902.85)
(55,594.53)	7,764.28		242,938.44	524,299.08
1,552,804.06	535,157.19		285,235.29	(300,961.86)
				(241,126.44)
\$ 1,497,209.53	\$ 542,921.47	\$	\$ 528,173.73	\$ (542,088.30)

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (300,961.86)

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$912,636.08) differed from depreciation expense (\$557,398.88). 355,237.20

Debt proceeds provide current financial resources in the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments differed from proceeds.

Issued:			
Capital Leases	\$	(524,299.08)	
Repayments:			
Capital Leases Payable		77,099.33	
Funding Agreement		100,000.00	
Warrants Payable		<u>195,000.00</u>	
			(152,199.75)

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

Decrease in Unamortized Discount	\$	(7,887.89)	
Decrease in Pension Expense		26,080.78	
Decrease In Accrued Interest Payable		763.75	
Decrease in Compensated Absences		74,902.77	
Decrease in Deferred Loss on Refunding		<u>(18,743.60)</u>	
			<u>75,115.81</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ (22,808.60)

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

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

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash	\$ 502,459.46	\$ 1,954,104.19
Receivables (Note 4)	34.80	15,729.23
Total Assets	<u>502,494.26</u>	<u>1,969,833.42</u>
<b><u>Liabilities</u></b>		
Payables		1,969,833.42
Payable to External Parties	374,423.28	
Total Liabilities	<u>374,423.28</u>	<u>\$ 1,969,833.42</u>
<b><u>Net Position</u></b>		
Held in Trust for Other Purposes	128,070.98	
Total Net Position	<u>\$ 128,070.98</u>	

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

***Statement of Changes in Fiduciary Net Position  
For the Year Ended September 30, 2017***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Charges for Services	\$ 4,375.65
Miscellaneous	185.73
Total Additions	<u>4,561.38</u>
<b><u>Deductions</u></b>	
Administrative	793.04
Total Deductions	<u>793.04</u>
Changes in Net Position	3,768.34
Net Position - Beginning of Year	<u>124,302.64</u>
Net Position - End of Year	<u><u>\$ 128,070.98</u></u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Note 1 – Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### *Fund Financial Statements*

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of 7-cent state gasoline tax revenue for the construction, improvement, maintenance and supervision of highways, bridges and streets, and for the retirement of bonds for which gasoline tax revenues have been pledged.
- ◆ **Capital Improvement Fund** – This fund is used to account for the Commission's share of distributions from the Alabama Trust Fund. The funds are to be used for capital improvements in the County.
- ◆ **Indigent Care Fund** – The fund is used to account for funds earmarked for the construction of a future health care facility in Macon County.
- ◆ **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 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.
- ◆ **Capital Projects Funds** – These funds are used to account for the expenditures of acquiring and constructing certain capital improvements in the county.

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

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

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

##### **1. Deposits and Investments**

Cash includes cash on hand and in demand deposits.

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

##### **2. Receivables**

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

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

**3. Capital Assets**

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	\$ 5,000	40 Years
Furniture and Equipment	\$ 5,000	5 – 10 Years
Bridges	\$ 50,000	40 – 50 Years
Roads	\$250,000	20 – 50 Years

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

**4. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the government-wide financial statements. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**5. Long-Term Obligations**

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

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

**6. Compensated Absences**

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

**Annual Leave**

Annual leave accrues to permanent full-time employees at the following rates:

Completed Years of Continued Service	Per Pay Period
0 to 5 years	4 hours
Over 5 to 10 years	5 hours
Over 10 to 15 years	6 hours
Over 15 to 20 years	7 hours
Over 20 to 25 years	8 hours
Over 25 years	9 hours

Accumulated annual leave at the end of each leave year that is in excess of thirty days or 240 hours will be forfeited by the employee.

Upon separation or retirement classified employees may be paid for accrued annual leave (maximum 30 days or 240 hours) calculated at the rate of pay they were entitled to at their retirement.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### *Sick Leave*

Sick leave accrues to permanent full-time employees at the rate of 4 hours per pay period to a maximum of 1200 hours. No individual will be paid for accumulated sick leave upon separation. Employees that retire from county service shall be paid for one half of their accumulated unused sick leave not to exceed 600 hours.

#### *Compensatory Time*

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Generally, employees in public safety activity, emergency response activity, or seasonal activity may accumulate 480 hours, all other employees 240 hours maximum. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory time is calculated at one and one-half times the regular hours.

The Commission uses the termination payment method to accrue its sick leave liability. Under this method an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness of other contingencies, such as medical appointments and funerals.

#### *7. Deferred Inflows of Resources*

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

#### *8. Net Position/Fund Balances*

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

#### *E. Pensions*

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

#### *Note 2 – Stewardship, Compliance, and Accountability*

##### *A. Budgets*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**B. Deficit Fund Balances/Net Position of Individual Funds**

At September 30, 2017, the following governmental funds had deficit fund balances:

General Fund	\$2,897,304.53
Gasoline Tax Fund	\$ 213,088.50

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

**Note 3 – Deposits and Investments**

**A. Deposits**

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

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

**B. Investments of the Fiscal Agent**

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligations such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state. The Commission's cash with fiscal agent is to be invested in accordance with these applicable statutes.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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As of September 30, 2017, the Commission had the following investments in cash with fiscal agent accounts:

Investments in Cash with Fiscal Agent	Fair Value	Credit Rating
<b>Money Market Funds:</b>		
Regions Trust Cash Sweep	\$ 24,133.97	
Fidelity Institutional Treasury Only CL III	124,869.86	AAAm
Total Investments in Cash With Fiscal Agent	\$149,003.83	

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

**Credit Risk** – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. As of September 30, 2017, the Commission’s investments were rated AAAM by Standard & Poor’s.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have an investment policy that limits the amount of securities that can be held by counterparties. The Commission’s deposits with Federated U. S. Treasury Cash Reserves are held by the counterparty but not in the name of the Commission.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Commission does not have a formal investment policy that limits the amount the Commission may invest in any one issuer.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**Note 4 – Receivables**

On September 30, 2017, receivables for the Commission’s individual major funds, other governmental and fiduciary funds in the aggregate are as follows:

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Receivables:</u>				
Intergovernmental	\$78,339.21	\$102,132.69	\$85,888.63	\$266,360.53
Total Receivables	<u>\$78,339.21</u>	<u>\$102,132.69</u>	<u>\$85,888.63</u>	<u>\$266,360.53</u>

	Private-Purpose Trust Funds	Agency Funds	Total Fiduciary Funds
<u>Receivables:</u>			
Intergovernmental	\$34.80	\$15,729.23	\$15,764.03
Total	<u>\$34.80</u>	<u>\$15,729.23</u>	<u>\$15,764.03</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**Note 5 – Capital Assets**

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

	Balance 10/01/2016	Additions	Reductions	Balance 09/30/2017
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 796,825.04	\$	\$	\$ 796,825.04
<b>Total Capital Assets, Not Being Depreciated</b>	<b>796,825.04</b>			<b>796,825.04</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	10,515,987.42			10,515,987.42
Bridges	9,255,164.41			9,255,164.41
Construction Equipment	2,990,256.75			2,990,256.75
Office Equipment	1,541,773.88			1,541,773.88
Motor Vehicles	2,670,429.79	372,749.00		3,043,178.79
Equipment Under Capital Lease		539,887.08		539,887.08
Other Equipment	55,854.68			55,854.68
<b>Total Capital Assets Being Depreciated</b>	<b>27,029,466.93</b>	<b>912,636.08</b>		<b>27,942,103.01</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(4,626,927.43)	(199,161.52)		(4,826,088.95)
Bridges	(796,727.94)	(178,277.19)		(975,005.13)
Construction Equipment	(1,822,574.30)	(50,432.87)		(1,873,007.17)
Office Equipment	(982,022.87)	(37,561.14)		(1,019,584.01)
Motor Vehicles	(1,619,308.08)	(32,784.05)		(1,652,092.13)
Equipment Under Capital Lease		(53,988.70)		(53,988.70)
Other Equipment	(26,548.77)	(5,193.41)		(31,742.18)
<b>Total Accumulated Depreciation</b>	<b>(9,874,109.39)</b>	<b>(557,398.88)</b>		<b>(10,431,508.27)</b>
<b>Net of Depreciation</b>	<b>17,155,357.54</b>	<b>355,237.20</b>		<b>17,510,594.74</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$17,952,182.58</b>	<b>\$ 355,237.20</b>	<b>\$</b>	<b>\$18,307,419.78</b>

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$104,071.28
Public Safety	173,405.75
Highway and Roads	243,643.18
Sanitation	3,529.55
Culture and Recreation	32,749.12
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$557,398.88</b>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Note 6 – Defined Benefit Pension Plan

##### A. General Information about the Pension Plan

###### Plan Description

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Benefits Provided

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

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

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

The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active Members	55,058
Total	<u>85,874</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute. Certified law enforcement, correctional officers, and fire fighters of the ERS contributed 6% of earnable compensation as required by statute. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, the County's active employee contribution rate was 5.41 percent of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 7.82 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2017 was 8.00% of pensionable pay for Tier 1 employees, and 4.76% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$290,776.46 for the year ended September 30, 2017.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**B. Net Pension Liability**

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

	Expected	Actual – 2015 Valuation Assumptions	Actual – 2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	\$12,868,606	\$12,465,242	\$12,821,707
(b) Discount Rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for October 1, 2015 - September 30, 2016	281,738	281,738	274,183
(d) Transfers Among Employers		21,007	21,007
(e) Actual Benefit Payments and Refunds for October 1, 2015 - September 30, 2016	(711,800)	(711,800)	(711,800)
(f) Total Pension Liability as of September 30, 2016 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$13,439,560</u>	<u>\$13,024,934</u>	<u>\$13,371,197</u>
(g) Difference Between Expected and Actual		\$ (414,626)	
(h) Less Liability Transferred for Immediate Recognition		<u>21,007</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ (435,633)</u>	
(j) Difference Between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss			<u>\$ 346,263</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Actuarial Assumptions

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

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

(\*) Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2015, valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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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	<u>100.00%</u>	

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

**Discount Rate**

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

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

**C. Changes in Net Pension Liability**

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	Balances at September 30, 2015	\$12,868,606	\$10,390,525
Changes for the Year:			
Service Cost	281,738		281,738
Interest	1,001,016		1,001,016
Changes of Assumptions	346,263		346,263
Differences Between Expected and Actual Experience	(435,633)		(435,633)
Contributions – Employer		288,566	(288,566)
Contributions – Employee		187,172	(187,172)
Net Investment Income		1,047,234	(1,047,234)
Benefit Payments, including Refunds of Employee Contributions	(711,800)	(711,800)	
Transfers among Employers	21,007	21,007	
Net Changes	502,591	832,179	(329,588)
Balances at September 30, 2016	\$13,371,197	\$11,222,704	\$2,148,493

**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 Rate (7.75%)	1% Increase (8.75%)
Commission’s Net Pension Liability	\$3,481,769	\$2,148,493	\$1,007,666

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS 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.

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

For the year ended September 30, 2017, the Commission recognized pension expense of \$240,804.00. At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$485,978.00
Changes of assumptions	284,430.00	
Net difference between projected and actual earnings on pension plan investments	97,213.00	
Employer contributions subsequent to the measurement date	290,776.46	
Total	\$672,419.46	\$485,978.00

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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

Year Ending:	
September 30, 2018	\$(32,138)
2019	\$(32,138)
2020	\$ 48,700
2021	\$(79,184)
2022	\$ (9,575)
Thereafter	\$ 0

**Note 7 – Funding Agreement with Macon County Public Building Authority**

On May 1, 2009, the Macon County Commission entered into a funding agreement (in the form of a sale-lease) back with the Macon County Public Building Authority. Pursuant to the agreement the Macon County Commission sold project improvements consisting of new administrative office facilities and the Macon County Jail Facility to the Macon County Public Building Authority for \$4,935,000.00. To obtain the sum of \$4,935,000.00 the Macon County Public Building Authority issued \$4,935,000.00 in Series 2009 Macon County Public Building Authority Revenue Warrants in order to provide funds (1) to finance the costs of constructing administrative office facilities for the Macon County Commission and (2) to currently refund and retire the Series 1999 Macon County Public Building Authority Revenue Warrants, dated May 1, 1999, which were outstanding in the amount of \$3,030,000.00. The Series 1999 Macon County Public Authority Revenue Warrants were issued to finance the costs of acquiring, constructing and equipping the Macon County Jail Facility. The Macon County Commission agreed to pay all principal and interest on the Series 2009 Macon County Public Authority Warrants and when the Series 2009 Revenue Warrants have been fully paid, the Macon County Building Authority will convey the assets in their then condition to the County without payment of any further consideration to the Macon County Public Authority by the Macon County Commission.

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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The following is a schedule by years of future minimum payments under the agreement presented together with the net present value of the minimum payments as of September 30, 2017.

Fiscal Year Ending	Governmental Activities
September 30, 2018	\$ 332,882.50
2019	333,526.25
2020	343,745.00
2021	343,382.50
2022	342,645.00
2023-2027	1,729,225.00
2028-2032	1,746,058.75
2033-2037	1,759,403.75
2038-2039	698,525.00
Total Minimum Payments	7,629,393.75
Less: Amount Representing Interest	(3,234,393.75)
Present Value of Net Minimum Lease Payments	<u>\$ 4,395,000.00</u>

**Note 8 – Capital Leases**

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$539,887.08 for governmental activities at September 30, 2017. If the Commission completes the lease payments according to the schedule below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2018	\$116,614.26
2019	116,614.26
2020	116,614.26
2021	116,614.24
2022	26,083.45
Total Minimum Payments	492,540.47
Less: Amount Representing Interest	(45,340.72)
Present Value of Net Minimum Lease Payments	<u>\$447,199.75</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Note 9 – Long-Term Debt

The Commission entered into a funding agreement dated May 1, 2009 with the Macon County Public Building Authority to acquire administrative office facilities and the jail facility with payment to the Macon County Public Building Authority on such dates and amounts as will be sufficient to pay the principal and interest on the Series 2009 Warrants when due during the term of the agreement.

On September 16, 2009, the Commission issued their \$3,970,000.00 General Obligation Warrants, Series 2009 (the “Warrants”), dated August 1, 2009. The Warrants will pay a fixed interest rate ranging from 3.3% to 6.15% on February 1 and August 1 each year until final maturity on October 1, 2039. The proceeds of the Warrants are authorized to be expended to (1) construct various improvements to the County’s infrastructure, (2) advance refund the County’s General Obligation Warrants, Series 2007, and (3) to pay the cost and expenses incurred in connection with the issuance of the Series 2009 Warrants.

On August 29, 2012, the Commission issued their \$2,375,000.00 State Highway Gasoline Tax Anticipation Warrants dated August 1, 2012. The warrants pay a fixed interest rate ranging from 1.14% to 3.43% on February 1 and August 1 of each year until final maturity on August 1, 2032. The Warrants were issued for the purpose of (1) paying the cost of construction, surfacing, resurfacing, grading and draining of roads, streets and bridges in the County; and (2) paying the cost of issuing the warrants. These warrants are not general obligations of the County but are paid solely out of the proceeds of the State 7-cent Gasoline Tax.

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

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

Payments on the 2009 General Obligation Warrants are made from the Public Buildings, Roads and Bridges Fund as well as Occupational Taxes.

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

Payments on the 2012 Gasoline Tax Warrants are made with proceeds from the State 7-cent Gasoline Tax.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

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

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

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

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due Within One Year
<b>Governmental Activities</b>					
Warrants Payable:					
Series 2012 Gasoline Tax	\$ 2,155,000.00	\$	\$(115,000.00)	\$ 2,040,000.00	\$115,000.00
Series 2009 G.O. Warrants	3,430,000.00		(80,000.00)	3,350,000.00	85,000.00
Deferred Amounts:					
Unamortized Discount	(165,775.32)		7,887.89	(157,887.43)	(7,887.89)
Total Warrants Payable	5,419,224.68		(187,112.11)	5,232,112.57	192,112.11
Other Liabilities:					
Capital Leases Payable		524,299.08	(77,099.33)	447,199.75	102,343.53
Funding Agreement	4,495,000.00		(100,000.00)	4,395,000.00	100,000.00
Compensated Absences	438,357.93		(74,902.77)	363,455.16	36,345.52
Net Pension Liability	2,478,081.00		(329,588.00)	2,148,493.00	
Total Other Liabilities	7,411,438.93	524,299.08	(581,590.10)	7,354,147.91	238,689.05
Total Long-Term Liabilities	\$12,830,663.61	\$524,299.08	\$(768,702.21)	\$12,586,260.48	\$430,801.16

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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

Fiscal Year Ending	Series 2012 Gasoline Tax Warrants		Series 2009 General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2018	\$ 115,000.00	\$ 55,855.00	\$ 85,000.00	\$ 189,750.00
2019	115,000.00	54,130.00	90,000.00	186,095.00
2020	120,000.00	51,715.00	90,000.00	182,225.00
2021	120,000.00	49,195.00	95,000.00	177,725.00
2022	125,000.00	46,315.00	100,000.00	172,975.00
2023-2027	670,000.00	181,065.00	585,000.00	782,850.00
2028-2032	775,000.00	76,410.00	775,000.00	601,150.00
2033-2037			1,025,000.00	343,200.00
2038-2039			505,000.00	45,900.00
Totals	<u>\$2,040,000.00</u>	<u>\$514,685.00</u>	<u>\$3,350,000.00</u>	<u>\$2,681,870.00</u>

**Deferred Loss on Refunding and Discounts**

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

	Deferred Loss on Refunding	Discounts
Total Deferred Loss on Refunding and Discounts	\$ 382,747.54	\$218,633.35
Amount Amortized Prior Years	(152,487.26)	(52,858.03)
Balance Deferred Loss on Refunding and Discounts	230,260.28	165,775.32
Current Amount Amortized	(18,743.60)	(7,887.89)
Balance Deferred Loss on Refunding and Discounts	<u>\$ 211,516.68</u>	<u>\$157,887.43</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2017**

Funding Agreement 2009		Capital Leases		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	
\$ 100,000.00	\$ 232,882.50	\$102,343.53	\$14,270.73	\$ 895,101.76
105,000.00	228,526.25	104,291.69	12,322.57	895,365.51
120,000.00	223,745.00	106,309.51	10,304.75	904,299.26
125,000.00	218,382.50	108,399.48	8,214.76	901,916.74
130,000.00	212,645.00	25,855.54	227.91	813,018.45
770,000.00	959,225.00			3,948,140.00
1,020,000.00	726,058.75			3,973,618.75
1,365,000.00	394,403.75			3,127,603.75
660,000.00	38,525.00			1,249,425.00
<b>\$4,395,000.00</b>	<b>\$3,234,393.75</b>	<b>\$447,199.75</b>	<b>\$45,340.72</b>	<b>\$16,708,489.22</b>

**Pledged Revenues**

The Commission has pledged the proceeds of Court Fees (the “Fees”) authorized to be collected in the County by Amendment Number 530 of the *Constitution of Alabama 1901*. Amendment Number 530 provides that the Fees may be applied only to the costs of constructing and equipping the County Jail, or to payment of principal and interest on any bonds, warrants or other obligations issued by or on behalf of the County to finance the costs of constructing and equipping the County Jail. The Commission has also pledged the proceeds of the County Occupational Tax authorized by Act Number 97-522, Acts of Alabama, (the “Occupational Tax Act”) and approved by a majority of the qualified electors of Macon County. The Occupational Tax Act provides that fifty percent of the net proceeds thereof shall be distributed to the Macon County Healthcare authority, that twenty five percent of the said net proceeds shall be used to retire the indebtedness incurred in connection with the construction and equipping of the County Jail, and that twenty five percent of the net proceeds shall be distributed to the General Fund of the County. The Commission has also pledged the proceeds from the Special County Tax (2.5 mills ad valorem tax) levied and collected under the authority of Section 215 of the *Constitution of Alabama 1901*, as amended. On May 1, 2009, the Commission entered into a funding agreement with the Macon County Public Building Authority to acquire administrative office facilities and the jail facility. The remaining amount of the pledges as of September 30, 2017, is \$7,629,393.75 and will remain in effect until the final maturity of the agreement on March 1, 2039. For fiscal year 2017, the debt service requirements for the pledged revenues was \$336,882.50.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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The Commission issued \$2,375,000 in State Gasoline Tax Anticipation Warrants, Series 2012, for the purpose of (a) paying the cost of construction, surfacing, resurfacing, grading and draining of roads, streets and bridges in the County and (b) paying the cost of issuing the warrants. The Commission pledged to repay the tax anticipation warrants from the County's share of the 7-cent State Gasoline Tax. Future revenues in the amount of \$2,554,685.00 are pledged to repay the principal and interest on the warrants at September 30, 2017. For fiscal year 2017, the debt service requirements for the pledged revenues was \$172,580.00. The State Gasoline Tax Anticipation Warrants, Series 2012, will mature in fiscal year 2032.

#### **Note 10 – Risk Management**

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

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

**Note 11 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables/payables at September 30, 2017, were as follows:

	Interfund Receivables	
	Capital Improvement Fund	Totals
<b>Interfund Payables:</b>		
General Fund	\$1,221,175.00	\$1,221,175.00
<b>Totals</b>	<b>\$1,221,175.00</b>	<b>\$1,221,175.00</b>

**Interfund Transfers**

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

	Transfers Out			
	General Fund	Gasoline Tax Fund	Other Governmental Funds	
<b>Transfers In:</b>				
General Fund	\$	\$ 18,670.83	\$	\$ 18,670.83
Gasoline Tax Fund			216,339.51	216,339.51
Other Governmental Funds	40,100.00	186,736.10	748,056.41	974,892.51
<b>Totals</b>	<b>\$40,100.00</b>	<b>\$205,406.93</b>	<b>\$964,395.92</b>	<b>\$1,209,902.85</b>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Note 12 – Related Organizations

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

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

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

	2017	2016	2015
<b><u>Total pension liability</u></b>			
Service cost	\$ 281,738.00	\$ 272,812.00	\$ 275,489.00
Interest	1,001,016.00	990,702.00	967,203.00
Differences between expected and actual experience	(435,633.00)	(201,357.00)	
Changes in assumptions	346,263.00		
Benefit payments, including refunds of employee contributions	(711,800.00)	(1,154,661.00)	(743,233.00)
Transfers among employees	21,007.00		
Net change in total pension liability	<u>502,591.00</u>	<u>(92,504.00)</u>	<u>499,459.00</u>
Total pension liability - beginning	<u>12,868,606.00</u>	<u>12,961,110.00</u>	<u>12,461,651.00</u>
Total pension liability - ending (a)	<u><u>\$ 13,371,197.00</u></u>	<u><u>\$ 12,868,606.00</u></u>	<u><u>\$ 12,961,110.00</u></u>
<b><u>Plan fiduciary net position</u></b>			
Contributions - employer	\$ 288,566.00	\$ 261,564.00	\$ 266,112.00
Contributions - employee	187,172.00	170,972.00	187,490.00
Net investment income	1,047,234.00	127,271.00	1,212,869.00
Benefit payments, including refunds of employee contributions	(711,800.00)	(1,154,661.00)	(743,233.00)
Other (Transfers among employers)	21,007.00	(206,754.00)	31,305.00
Net change in plan fiduciary net position	<u>832,179.00</u>	<u>(801,608.00)</u>	<u>954,543.00</u>
Plan fiduciary net position - beginning	<u>10,390,525.00</u>	<u>11,192,133.00</u>	<u>10,237,590.00</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 11,222,704.00</u></u>	<u><u>\$ 10,390,525.00</u></u>	<u><u>\$ 11,192,133.00</u></u>
Commission's net pension liability - ending (a) - (b)	\$ 2,148,493.00	\$ 2,478,081.00	\$ 1,768,977.00
Plan fiduciary net position as a percentage of the total pension liability	83.93%	80.74%	86.35%
Covered payroll (*)	\$ 3,623,604.98	\$ 3,242,600.68	\$ 3,295,402.33
Commission's net pension liability as a percentage of covered payroll	59.29%	76.42%	53.68%

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

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

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

	<b>2017</b>	<b>2016</b>
Actuarially determined contribution (*)	\$ 290,776.46	\$ 288,566.00
Contributions in relation to the actuarially determined contribution (*)	<u>\$ 290,776.46</u>	<u>\$ 288,566.00</u>
Contribution deficiency (excess)	\$	\$
Covered payroll (**)	\$ 3,718,559.71	\$ 3,623,604.98
Contributions as a percentage of covered payroll	7.82%	7.96%

(\*) 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's Contributions is based on the 12 month period of the underlying financial statement.

(\*\*) Employer's covered payroll for fiscal year 2017 is the total covered payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2016 through September 30, 2017:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	26 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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<u>2015</u>	<u>2014</u>
\$ 261,564.00	\$ 266,112.00
<u>\$ 261,564.00</u>	<u>\$ 266,112.00</u>
\$	\$
\$ 3,242,600.68	\$ 3,295,402.33
8.07%	8.08%

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b><u>Revenues</u></b>			
Taxes	\$ 3,570,283.00	\$ 3,570,283.00	\$ 2,820,345.89
Licenses and Permits	303,000.00	303,000.00	180,923.85
Intergovernmental	384,210.00	417,618.00	323,777.53
Charges for Services	761,880.00	761,880.00	678,859.95
Miscellaneous	118,665.00	118,665.00	193,391.27
Total Revenues	5,138,038.00	5,171,446.00	4,197,298.49
<b><u>Expenditures</u></b>			
Current:			
General Government	2,097,198.00	2,099,980.00	1,989,761.19
Public Safety	2,502,169.00	2,503,919.00	2,547,177.14
Sanitation	228,678.00	228,678.00	166,978.60
Health	3,000.00	3,000.00	
Welfare	18,000.00	18,000.00	14,400.00
Culture and Recreation	600.00	600.00	7,983.80
Education	6,750.00	6,750.00	6,750.00
Capital Outlay	64,000.00	64,000.00	
Debt Service:			
Principal Retirement	87,900.00	87,900.00	
Total Expenditures	5,008,295.00	5,012,827.00	4,733,050.73
Excess (Deficiency) of Revenues Over Expenditures	129,743.00	158,619.00	(535,752.24)
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In			18,670.83
Transfers Out	(129,743.00)	(129,743.00)	(90,100.00)
Total Other Financing Sources (Uses)	(129,743.00)	(129,743.00)	(71,429.17)
Net Change in Fund Balances		28,876.00	(607,181.41)
Fund Balances - Beginning of Year			(2,281,170.96)
Fund Balances - End of Year	\$	\$ 28,876.00	\$ (2,888,352.37)

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 2,820,345.89
		180,923.85
(1)	13,950.00	337,727.53
		678,859.95
(1)	26,369.49	219,760.76
	<u>40,319.49</u>	<u>4,237,617.98</u>
		1,989,761.19
		2,547,177.14
		166,978.60
(2)	87,996.02	14,400.00
		95,979.82
		6,750.00
	<u>87,996.02</u>	<u>4,821,046.75</u>
	<u>(47,676.53)</u>	<u>(583,428.77)</u>
		18,670.83
(3)	50,000.00	(40,100.00)
	<u>50,000.00</u>	<u>(21,429.17)</u>
	2,323.47	(604,857.94)
(4)	(11,275.63)	(2,292,446.59)
	<u>\$ (8,952.16)</u>	<u>\$ (2,897,304.53)</u>

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

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**Explanation of Budget to GAAP differences:**

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

(1) Revenues  
    Recreation Fund

(2) Expenditures  
    Recreation Fund

(3) Other Financing Sources/(Uses) Net  
    Recreation Fund

Net Increase/(Decrease) in Fund Balance - Budget to GAAP

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

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\$ 40,319.49

(87,996.02)

50,000.00

\$ 2,323.47

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

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b><u>Revenues</u></b>			
Taxes	\$ 235,000.00	\$ 235,000.00	\$
Intergovernmental	878,160.00	878,160.00	1,682,652.80
Charges for Services	153,000.00	153,000.00	164,642.43
Miscellaneous	571,025.00	571,025.00	118,106.16
Total Revenues	<u>1,837,185.00</u>	<u>1,837,185.00</u>	<u>1,965,401.39</u>
<b><u>Expenditures</u></b>			
Current:			
Highways and Roads	2,153,370.00	2,156,570.00	1,984,783.05
Capital Outlay	75,000.00	75,000.00	398,995.00
Debt Service:			
Principal Retirement	50,000.00	50,000.00	29,230.31
Interest and Fiscal Charges			7,286.52
Total Expenditures	<u>2,278,370.00</u>	<u>2,281,570.00</u>	<u>2,420,294.88</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(441,185.00)</u>	<u>(444,385.00)</u>	<u>(454,893.49)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	441,185.00	441,185.00	679,339.51
Proceeds From Capital Leases			284,954.00
Transfers Out			(186,736.10)
Total Other Financing Sources (Uses)	<u>441,185.00</u>	<u>441,185.00</u>	<u>777,557.41</u>
Net Change in Fund Balances		(3,200.00)	322,663.92
Fund Balances - Beginning of Year			<u>(643,642.87)</u>
Fund Balances - End of Year	\$	\$ (3,200.00)	\$ <u>(320,978.95)</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
	\$	\$
(1)	1,287,349.86	2,970,002.66
		164,642.43
(1)	345,597.52	463,703.68
	<u>1,632,947.38</u>	<u>3,598,348.77</u>
(2)	1,090,856.58	3,075,639.63
(2)	274,296.00	673,291.00
		29,230.31
		7,286.52
	<u>1,365,152.58</u>	<u>3,785,447.46</u>
	<u>267,794.80</u>	<u>(187,098.69)</u>
	(463,000.00)	216,339.51
		284,954.00
	(18,670.83)	(205,406.93)
(3)	<u>(481,670.83)</u>	<u>295,886.58</u>
	(213,876.03)	108,787.89
(4)	<u>321,766.48</u>	<u>(321,876.39)</u>
	<u>\$ 107,890.45</u>	<u>\$ (213,088.50)</u>

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

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**Explanation of Budget to GAAP differences:**

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

(1) Revenues		
Public Highway and Traffic Fund	\$	1,287,349.86
Severed Mineral Tax Fund		<u>345,597.52</u>
(2) Expenditures		
Public Highway and Traffic Fund	\$	1,090,856.58
Severed Mineral Tax Fund		<u>274,296.00</u>
(3) Other Financing Sources/(Uses) Net		
Public Highway and Traffic Fund	\$	<u>(481,670.83)</u>

Net Increase/(Decrease) in Fund Balance - Budget to GAAP

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

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\$ 1,632,947.38

(1,365,152.58)

(481,670.83)

\$ (213,876.03)

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b>Revenues</b>			
Intergovernmental	\$ 189,600.00	\$ 189,600.00	\$ 233,420.28
Miscellaneous	1,040.00	1,040.00	4,326.55
Total Revenues	190,640.00	190,640.00	237,746.83
<b>Expenditures</b>			
Current:			
General Government	174,640.00	186,093.00	235,194.38
Public Safety	16,000.00	70,013.98	4,133.00
Capital Outlay			239,345.08
Debt Service:			
Principal Retirement			47,869.02
Interest and Fiscal Charges			6,144.96
Total Expenditures	190,640.00	256,106.98	532,686.44
Excess (Deficiency) of Revenues Over Expenditures		(65,466.98)	(294,939.61)
<b>Other Financing Sources (Uses)</b>			
Proceeds From Issuance of Debt			239,345.08
Total Other Financing Sources (Uses)			239,345.08
Net Change in Fund Balances		(65,466.98)	(55,594.53)
Fund Balances - Beginning of Year		65,466.98	1,552,804.06
Fund Balances - End of Year	\$	\$	\$ 1,497,209.53

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 233,420.28
	4,326.55
	<u>237,746.83</u>
	235,194.38
	4,133.00
	239,345.08
	47,869.02
	6,144.96
	<u>532,686.44</u>
	<u>(294,939.61)</u>
	239,345.08
	<u>239,345.08</u>
	(55,594.53)
	<u>1,552,804.06</u>
\$	<u>\$ 1,497,209.53</u>

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<b>Revenues</b>			
Miscellaneous	\$	\$	\$ 7,764.28
Total Revenues			<u>7,764.28</u>
<b>Expenditures</b>			
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures			<u>7,764.28</u>
Net Change in Fund Balances			7,764.28
Fund Balances - Beginning of Year			<u>535,157.19</u>
Fund Balances - End of Year	\$	\$	<u><u>\$ 542,921.47</u></u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	7,764.28
	<u>7,764.28</u>
<hr/>	
	7,764.28
	<u>7,764.28</u>
	535,157.19
\$	<u><u>542,921.47</u></u>

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

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Intergovernmental	\$ 411,337.00	\$ 411,337.00	\$ 359,705.30
Miscellaneous			1,809.34
Total Revenues	411,337.00	411,337.00	361,514.64
<b>Expenditures</b>			
Current:			
General Government	354,367.53	354,367.53	361,514.64
Total Expenditures	354,367.53	354,367.53	361,514.64
Excess (Deficiency) of Revenues Over Expenditures	56,969.47	56,969.47	
Net Change in Fund Balances	56,969.47	56,969.47	
Fund Balances - Beginning of Year			
Fund Balances - End of Year	\$ 56,969.47	\$ 56,969.47	\$

Budget to GAAP Differences	Actual Amounts GAAP Basis
-------------------------------	------------------------------

\$	\$ 359,705.30
	1,809.34
	<u>361,514.64</u>

	<u>361,514.64</u>
	<u>361,514.64</u>

<u>\$</u>	<u>\$</u>
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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Agriculture</u></b>			
<b><u>Passed Through Alabama Department of Finance</u></b>			
Schools and Roads - Grants to States	10.665	N.A.	\$ 11,114.86
<b><u>U. S. Department of Homeland Security</u></b>			
<b><u>Passed Through Alabama Emergency Management Agency</u></b>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (M)	97.036	FEMA-4251-DR-AL	1,131,052.06
Emergency Management Performance Grants	97.042	N.A.	29,792.00
Total U. S. Department of Homeland Security			<u>1,160,844.06</u>
<b><u>General Services Administration</u></b>			
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>			
Donation of Federal Surplus Personal Property (N)	39.003	N.A.	17,936.91
<b><u>Corporation for National and Community Service</u></b>			
<b><u>Direct Program</u></b>			
Retired and Senior Volunteer Program	94.002	N.A.	52,537.00
<b><u>Other Federal Assistance</u></b>			
<b><u>U. S. Department of Justice</u></b>			
<b><u>Direct Program</u></b>			
U. S. Marshall Service Over-Time Reimbursement	N.A.	N.A.	<u>17,206.00</u>
Total Expenditures of Federal Awards			<u>\$ 1,259,638.83</u>

(M) = Major Program  
(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.

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2017***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Macon County Commission 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 Macon County Commission, it is not intended to and does not present the financial position or changes in net position of the Macon County Commission.

**Note 2 – Summary of Significant Accounting Policies**

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

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## *Additional Information*

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

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**Commission Members**

**Term Expires**

Hon. Louis Maxwell	Chairman	November 2020
Hon. Miles D. Robinson	Member	November 2020
Hon. Edward Huffman	Member	November 2022
Hon. Andrew D. Thompson, Jr.	Member	November 2020
Hon. Robert M. Berry	Member	November 2022

**Administrative Personnel**

Susan B. Thomas	County Administrator	Indefinite
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***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**Independent Auditor's Report**

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Macon County Commission (the "Commission") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated January 30, 2020.

**Internal Control Over Financial Reporting**

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

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

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

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2017-010 and 2017-011, to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-012 to be a significant deficiency.

***Compliance and Other Matters***

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

***The Commission's Response to Findings***

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

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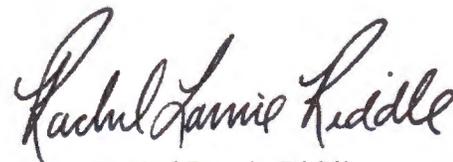
***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**Purpose of this Report**

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



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

January 30, 2020

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

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***Independent Auditor's Report***

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

***Report on Compliance for Each Major Federal Program***

We have audited the Macon County Commission's (the "Commission") compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Commission's major federal programs for the year ended September 30, 2017. The Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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***Opinion on Each Major Federal Program***

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

***Report on Internal Control Over Compliance***

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

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

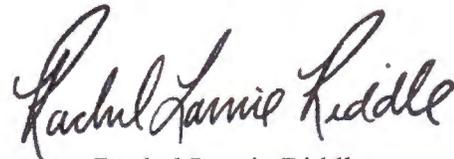
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify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

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

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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

January 30, 2020

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2017***

**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified?   X   Yes        No

Significant deficiency(ies) identified?   X   Yes        None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified?        Yes   X   None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?        Yes   X   No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee?        Yes   X   No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2017***

**Section II – Financial Statement Findings (GAGAS)**

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2017-010	Internal Control	<p><b><u>Finding:</u></b>  Adequate internal controls over financial reporting require all financial transactions of the Commission to be included on its financial statements. Testing revealed the following:</p> <ul style="list-style-type: none"> <li>✓ The Capital Improvement Fund paid a portion of the General Fund’s obligation for various payrolls during the fiscal year ended September 30, 2017. Due to the lack of internal controls over financial reporting, these interfund transactions between the Payroll Fund and the Capital Improvement Fund in the amount of \$241,300.00 were not recorded in the Commission’s accounting software. These amounts were not repaid by the General Fund to the Capital Improvement Fund before the fiscal year ended. This resulted in interfund payables being understated and ending fund balance being overstated in the General Fund and interfund receivables being understated and ending fund balance being understated in the Capital Improvement Fund.</li> <li>✓ The Reappraisal Fund paid a portion of the General Fund’s obligation for various payrolls and insurance premiums during the fiscal year ended September 30, 2017. Due to the lack of internal controls over financial reporting, these interfund transactions between the General Fund and the Reappraisal Fund in the amount of \$241,336.90 were not recorded in the Commission’s accounting software. These amounts were not repaid by the General Fund to the Reappraisal Fund before the fiscal year ended. This resulted in interfund payables being understated and ending fund balance being overstated in the General Fund and interfund receivables being understated and ending fund balance being understated in the Reappraisal Fund.</li> </ul>	

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2017***

**Section II – Financial Statement Findings (GAGAS)**

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		<p><b><u>Finding Continued:</u></b></p> <ul style="list-style-type: none"> <li>✓ The Reappraisal Fund paid a portion of the Gasoline Tax Fund’s obligation for various payrolls during the fiscal year ended September 30, 2017. Due to the lack of internal controls over financial reporting, these interfund transactions between the Gasoline Tax Fund and the Reappraisal Fund in the amount of \$73,157.19 were not recorded in the Commission’s accounting software. These amounts were repaid by the Gasoline Tax Fund to the Reappraisal Fund before the fiscal year ended.</li>   <li>✓ During the fiscal year ended September 30, 2017, the Capital Improvement Fund received transfers of \$170,000.00 from the General Fund for repayment of previous loans. Due to the lack of internal controls over financial reporting, these interfund transactions between the General Fund and the Capital Improvement Fund were not recorded in the Commission’s accounting software.</li>   <li>✓ In August 2017, the Retired Senior Volunteer Program (RSVP) Fund made a transfer to the Reappraisal Fund in the amount of \$3,192.55 for repayment of a previous loan. Due to the lack of internal controls over financial reporting, this transaction between the RSVP Fund and the Reappraisal Fund was not recorded in the Commission's accounting software.</li> </ul> <p>This finding was previously reported as Finding 2015-001.</p>	

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2017***

**Section II – Financial Statement Findings (GAGAS)**

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		<p><b><u>Recommendation:</u></b>  The Commission should ensure that all amounts presented on the financial statements are complete and accurate.</p> <p><b><u>Views of Responsible Officials:</u></b>  The Commission agreed with the finding.</p>	
2017-011	Internal Control	<p><b><u>Finding:</u></b>  An adequate system of internal controls requires the proper segregation of duties. The County Administrator performs all bank reconciliations and records financial transactions into the accounting system. Receivables and Interfund Receivables and Payables are recorded at the discretion of the County Administrator. All of these actions are performed without the review of any other Commission employee. Due to improper segregation of duties, entries into the Commission’s accounting software may contain errors that are not prevented or detected and corrected on a timely basis. As a result, there is a reasonable possibility that material misstatements of the Commission’s financial statements could occur.</p> <p>This finding was previously reported as Finding 2015-002.</p> <p><b><u>Recommendation:</u></b>  The Commission should establish internal controls to mitigate the lack of segregation of duties.</p> <p><b><u>Views of Responsible Officials:</u></b>  The Commission agreed with the finding.</p>	

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2017***

**Section II – Financial Statement Findings (GAGAS)**

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2017-012	Internal Control	<p><b><u>Finding:</u></b>  Adequate internal controls require the Commission to reconcile remittances to the Retirement Systems of Alabama with retirement expenses computed by the Commission’s payroll program. For the fiscal year ended September 30, 2017, the Commission expensed less employer retirement than was remitted to the Retirement Systems of Alabama. Due to the lack of adequate internal controls, differences between retirement remittances and retirement expenses occurred which were not detected or corrected in a timely manner, resulting in an understatement of expenses.</p> <p>This finding was previously reported as Finding 2014-002.</p> <p><b><u>Recommendation:</u></b>  The Commission should reconcile retirement remittances to the Retirement Systems of Alabama with the Commission’s payroll program and correct any differences in a timely manner.</p> <p><b><u>Views of Responsible Officials:</u></b>  The Commission agreed with the finding.</p>	

**Section III – Federal Awards Findings and Questioned Costs**

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

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*Summary Schedule of Prior Audit Findings*



THE STATE OF ALABAMA

## **Macon County Commission**

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



**Governing Body of Macon County**

Louis Maxwell, Chairman

Commissioner Miles D. Robinson

District 1

Commissioner Edward Huffman

District 2

Commissioner Andrew D. Thompson, Jr.

District 3

Commissioner Robert M. Berry

District 4

January 20, 2020

Ms. Tammy D. Shelley, Audit Manager  
Alabama Examiners of Public Accounts  
Montgomery, Alabama

Dear Ms. Shelley:

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Macon County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2017.

**Finding  
Ref.  
No.**

**Status of Prior Audit Finding**

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**2016-001      Finding:**

The Gasoline Tax Fund accounts for the expenditure of 7-cent State Gasoline Tax revenue for construction, improvement, maintenance and supervision of highways, bridges and streets, and for the retirement of bonds for which gasoline tax revenues have been pledged. During the fiscal year ending September 30, 2016, the Commission transferred \$53,597.36 from the Gasoline Tax Fund to the General Fund. This transaction was made for expenditures that were not allowable under the *Code of Alabama 1975*, Section 40-17-359.

*Corrective action was taken.*

**2016-002      Finding:**

The Public Highway and Traffic Fund accounts for the expenditure of motor vehicle license taxes and fees and drivers' license revenues for the construction, improvement and maintenance of public highways and streets. During the fiscal year ending September 30, 2016, the Commission

## **Macon County Status of Prior Audit Finding (continued)**

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transferred \$40,000 from the Public Highway and Traffic Fund to the Payroll Fund. This transaction was made for payroll expenditures of the General Fund which is not allowable under the *Code of Alabama 1975*, Section 40-12-270.

*Corrective action was taken.*

### **2016-003 Finding:**

The Reappraisal Fund accounts for property taxes and other revenues required to be expended for the costs of the property reappraisal program. During the fiscal year ending September 30, 2016, the Commission transferred \$250,885.85 from the Reappraisal Fund to the Payroll and Group Insurance Funds to cover the obligations of the General Fund. These expenditures were not approved by the State of Alabama Department of Revenue as prescribed in the *Code of Alabama 1975*, Section 40-7-61.

*Corrective action has been taken.*

### **2016-004 Finding:**

The Reappraisal Fund accounts for property taxes and other revenues required to be expended for the costs of the property reappraisal program. During the fiscal year ending September 30, 2016, the Commission transferred \$44,580.15 from the Reappraisal Fund to the Payroll Fund to cover the obligations of the Gasoline Tax Fund. These expenditures were not approved by the State of Alabama Department of Revenue as prescribed in the *Code of Alabama 1975*, Section 40-7-61.

*Corrective action has been taken.*

### **2016-006 Finding:**

The *Code of Alabama 1975*, Section 41-16-52(c), provides all expenditures of funds of whatever nature for the leasing of heavy duty off-highway construction equipment involving a monthly rental of not more than five thousand dollars (\$5,000) per month per piece of equipment or machinery but not to exceed fifteen thousand dollars (\$15,000) per month for all such pieces of equipment shall be made, at the option of the Commission, without having to solicit bids as required by the *Code of Alabama 1975*, Section 41-16-50. The Commission paid \$6,925.20 and \$5,336.00 monthly for the rental of an excavator and a dozer, respectively, during the 2016 fiscal year and did not bid the service.

*Please see the letter from J.D. Smith, the County Engineer attached to the FY, 2016 Auditee Response Report.*

### **2016-007 Finding:**

Act Number 99-555, Acts of Alabama, requires the Commission to distribute \$40,000 per year of the proceeds from the county beverage tax to the Macon County Public Library. During the 2016 fiscal year, the Commission only distributed \$30,477.61 to the Macon County Public Library.

## **Macon County Status of Prior Audit Finding (continued)**

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*This matter was taken care of as soon as we were made aware of this requirement in the August 28, 2018 Exit Conference for FY, 2016. Therefore, it was just a carryover, but FY, 2018 was corrected immediately. This action was taken.*

### **2014-001      Finding:**

Generally Accepted Accounting Principles provide for the use of Agency Funds which are maintained by the County Commission to report assets held by the Commission in a purely custodial capacity. Amounts held in these funds are payable to other parties. During the audit period, the Commission did not maintain a listing of the payables to support the amount recorded in its Agency Funds.

*There was a list of payables due to the Agency Funds on an Excel Spread Sheet as well as a copy of the Outstanding Check List for the Payroll Fund Account, as of September 30, 2016 and 2017. It was available and was not asked for by auditors.*

### **2013-004      Finding:**

Chapter 2 of Title 11 of the *Code of Alabama 1975*, requires County Commissioners to obtain a bond in the amount of one-half of one percent of the amount budgeted in the County General Fund effective prior to the current term of office. It also requires the bond to be filed in the office of the Probate Judge no later than the date that the Commissioner takes office. Bonds were filed for the Commissioners as required in the office of the Probate Judge; however, the amounts of the bonds recorded were less than the required amount and some bonds were filed after the Commissioner took office.

*Corrective action was taken.*

### **2013-008      Finding:**

The *Code of Alabama 1975*, Section 11-29-6, the legal authority for the Capital Improvement Fund, states these funds are to be used to assist in the restoration and improvement of county government buildings, bridges, roads, streets, and other facilities, and to promote the health, safety, and public welfare of the citizens of the state. The Commission made loans from the Capital Improvement Fund to the General Fund during fiscal year 2016 and previous fiscal years. The Commission was unable to provide documentation that expenditures made by the General Fund were in accordance with the *Code of Alabama 1975*, Section 11-29-6. At September 30, 2016, the General Fund owed the Capital Improvement Fund \$1,336,175.00 as recorded on the financial statements plus an additional \$55,000.00 that was not recorded in the Commission's accounting software resulting in a total due of \$1,391,175.00.

*We were unable to correct because, our circumstances have not yet changed. The Commission made loans from the Capital Improvement Fund because we had no other recourse, due to our financial difficulties, since the closing of Victory Land in the of 2009. We always transfer whatever we can when our finances allow it. We are still trying to keep our employees working and pay our bills to the best of our ability.*

**Macon County Status of Prior Audit Finding (continued)**

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**2008-003 Finding:**

The *Code of Alabama 1975*, Section 11-8-3, requires the Commission to budget appropriations that are not in excess of estimated total revenues available for appropriations. The Commission's budgets for fiscal year 2016 did not take existing deficit fund balances into account.

*We were unable to correct because, the Commission still did not have enough new or existing revenues to budget the deficit fund balance for the General Fund and Gasoline Fund.*

**2007-001 Finding:**

The *Code of Alabama 1975*, Section 11-8-10, states that the Commission shall not issue warrants until funds are available. The following funds had deficit fund balances at September 30, 2016:

Fund	Deficit Fund Balance
General Fund	\$2,292,446.59
Gasoline Tax Fund	\$ 321,876.39

*Warrants are not sent out for payment until funds are available.*

**Finding  
Ref.  
No.**

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**2016-005 Finding:**

Portions of the Macon County Commission's documentation for its expenditures, including payroll, were destroyed by a fire in the courthouse on July 9, 2016. The records that remain are not sufficient to permit the application of auditing procedures that would be adequate for us to express an unmodified opinion on the accompanying financial statements. We were unable to reasonably determine the accuracy of the expenditures reported for all opinion units of the Macon County Commission's financial statements.

*Corrective action was taken.*

**2015-001 Finding:**

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

The Gasoline Tax Fund transferred \$53,597.36 to the General Fund in September 2016. This interfund transaction between the General Fund and the Gasoline Tax Fund in the amount of \$53,597.36 was not recorded in the Commission's accounting software. This amount was

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### **Macon County Status of Prior Audit Finding (continued)**

- ✓ not repaid by the General Fund to the Gasoline Tax Fund before the fiscal year ended. This resulted in interfund payables being understated and ending fund balance being overstated in the General Fund and interfund receivables being understated and ending fund balance being understated in the Gasoline Tax Fund.
- ✓ The Capital Improvement Fund paid a portion of the General Fund's obligation for one of the Commission's payrolls in September 2016. This interfund transaction between the Payroll Fund and the Capital Improvement Fund in the amount of \$55,000 was not recorded in the Commission's accounting software. This amount was not repaid by the General Fund to the Capital Improvement Fund before the fiscal year ended. This resulted in interfund payables being understated and ending fund balance being overstated in the General Fund and interfund receivables being understated and ending fund balance being understated in the Capital Improvement Fund.
- ✓ The Public Highway and Traffic Fund paid a portion of the General Fund's obligation for one of the Commission's payrolls in October 2015. This interfund transaction between the General Fund and the Public Highway and Traffic Fund in the amount of \$40,000 was not recorded in the Commission's accounting software. This amount was repaid by the General Fund to the Public Highway and Traffic Fund before the fiscal year ended.
- ✓ The Reappraisal Fund paid a portion of the General Fund's obligation for various payrolls and insurance premiums during the fiscal year ended September 30, 2016. These interfund transactions between the General Fund and the Reappraisal Fund in the amount of \$250,885.85 were not recorded in the Commission's accounting software. These amounts were repaid by the General Fund to the Reappraisal Fund before the fiscal year ended.
- ✓ The Reappraisal Fund paid a portion of the Gasoline Tax Fund's obligation for various payrolls during the fiscal year ended September 30, 2016. These interfund transactions between the Gasoline Tax Fund and the Reappraisal Fund in the amount of \$44,580.15 were not recorded in the Commission's accounting software. These amounts were repaid by the Gasoline Tax Fund to the Reappraisal Fund before the fiscal year ended.
- ✓ The Capital Improvement Fund paid for the General Fund's obligation for insurance premiums. This interfund transaction between the General Fund and the Capital Improvement Fund in the amount of \$64,358.26 was not recorded in the Commission's accounting software. This amount was repaid by the General Fund to the Capital Improvement Fund before the fiscal year ended.

*Corrective action was taken.*

#### **2015-002 Finding:**

An adequate system of internal controls requires the proper segregation of duties. The County Administrator performs all bank reconciliations and records financial transactions into the

**Macon County Status of Prior Audit Finding (continued)**

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accounting system. Receivables and Interfund Receivables and Payables are recorded at the discretion of the County Administrator. All of these actions are performed without the review of any other Commission employee.

*The County Administrator currently supervises (2) two other employees in the Commission Office. We have the Accounting Clerk and the Personnel Director/Treasurer. The Personnel Director/Treasurer receipts all monies that come in and she prepares the payroll and all other aspects of the payroll process. The Accounting Clerk posts all Cash Receipts and Manual Checks to the S&W Computer System. After both of them have done their part, the Administrator still has to check their work and make any necessary corrections. Afterward, she prepares monthly bank reconciliations and any other necessary journal entries. We are even more shorthanded than ever in this office and we do not have anyone additional to review her work. We also have a temporary worker through the Dept. of human Resources that we are training for one year. Due to finances, we do not plan on replacing our Accounts Payable Clerk position. We are doing whatever we can to make ends meet and we can not afford to hire or replace any of our staff at this time.*

**2014-002      Finding:**

Adequate internal controls require the Commission to reconcile remittances to the Retirement Systems of Alabama with retirement expenses computed by the Commission's payroll program. For the fiscal year ended September 30, 2016, the Commission expensed more employer retirement than was remitted to the Retirement Systems of Alabama.

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

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

*Sincerely,*



*Louis Maxwell, Chairman  
Macon County Commission*

cc: Ms. Susan B. Thomas, Administrator

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*Auditee Response/Corrective Action Plan*



THE STATE OF ALABAMA

# **Macon County Commission**

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



**Governing Body of Macon County**

**Louis Maxwell, Chairman**  
**Commissioner Miles D. Robinson**  
**District 1**  
**Commissioner Edward Huffman**  
**District 2**  
**Commissioner Andrew D. Thompson, Jr.**  
**District 3**  
**Commissioner Robert M. Berry**  
**District 4**

March 4, 2020

Nikki Morrison  
Director County Audit Division  
State of Alabama  
Dept. of Examiners of Public Accounts  
P. O. Box 302251  
Montgomery, Alabama 36130-2251

Dear Mrs. Morrison:

As required by the Office of Management and Budget (OMB) Circular No. A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .31(c), the Macon County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 2017.

**Finding 2017-010:**

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

- ✓ The Capital Improvement Fund paid a portion of the General Fund's obligation for various payrolls during the fiscal year ended September 30, 2017. Due to the lack of internal controls over financial reporting, these interfund transactions between the Payroll Fund and the Capital Improvement Fund in the amount of \$241,300.00 were not recorded in the Commission's accounting software. These amounts were not repaid by the General Fund to the Capital Improvement Fund before the fiscal year ended. This resulted in interfund payables being understated and ending fund balance being overstated in the General Fund and interfund receivables being understated and ending fund balance being understated in the Capital Improvement Fund.
- ✓ The Reappraisal Fund paid a portion of the General Fund's obligation for various payrolls and insurance premiums during the fiscal year ended September 30, 2017. Due to the lack of internal controls over financial reporting, these interfund transactions between the General Fund and the Reappraisal Fund in the amount of \$241,336.90 were not recorded in the Commission's accounting software. These amounts were not repaid by the General Fund to the Reappraisal Fund before the fiscal year ended. This resulted in interfund payables being understated and ending fund balance being overstated in the General Fund and interfund receivables being understated and ending fund balance being understated in the Reappraisal Fund.

- ✓ The Reappraisal Fund paid a portion of the Gasoline Tax Fund's obligation for various payrolls during the fiscal year ended September 30, 2017. Due to the lack of internal controls over financial reporting, these interfund transactions between the Gasoline Tax Fund and the Reappraisal Fund in the amount of \$73,157.19 were not recorded in the Commission's accounting software. These amounts were repaid by the Gasoline Tax Fund to the Reappraisal Fund before the fiscal year ended.
- ✓ During the fiscal year ended September 30, 2017, the Capital Improvement Fund received transfers of \$170,000.00 from the General Fund for repayment of previous loans. Due to the lack of internal controls over financial reporting, these interfund transactions between the General Fund and the Capital Improvement Fund were not recorded in the Commission's accounting software.
- ✓ In August 2017, the Retired Senior Volunteer Program (RSVP) Fund made a transfer to the Reappraisal Fund in the amount of \$3,192.55 for repayment of a previous loan. Due to the lack of internal controls over financial reporting, this transaction between the RSVP Fund and the Reappraisal Fund was not recorded in the Commission's accounting software.

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

**Recommendation:**

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

Response: Corrective action was taken. As of our August 28, 2018 Exit Conference, we started making sure that all transfers are posted to the Commission's accounting software and have not borrowed any monies from the Reappraisal Fund since.

Responsible Person(s):

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

**Finding 2017-011:**

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

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

**Recommendation:**

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

**Response: Corrective Action:**

This is true, but due to our finances, we can not afford to replace our Accounts Payable

Clerk position. We are also looking into additional cut backs in personnel, due to the financial situation. Therefore, starting now (Feb. 20, 2020), Chairman Louis Maxwell will sign off on the Bank Reconciliations and the Month-End-Close-Out following each month after they are complete.

**Responsible Person(s):**

**Corrective Actions:** Susan B. Thomas, County Administrator

**Contact:** Louis Maxwell, Commission Chairman

**Finding 2017-012:**

Adequate internal controls require the Commission to reconcile remittances to the Retirement Systems of Alabama with retirement expenses computed by the Commission's payroll program. For the fiscal year ended September 30, 2017, the Commission expensed less employer retirement than was remitted to the Retirement Systems of Alabama. Due to the lack of adequate internal controls, differences between retirement remittances and retirement expenses occurred which were not detected or corrected in a timely manner, resulting in an understatement of expenses.

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

**Recommendation:**

The Commission should reconcile retirement remittances to the Retirement Systems of Alabama with the Commission's payroll program and correct any differences in a timely manner.

**Response: Corrective Action:**

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

**Responsible Person(s):**

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

**Contact:** Louis Maxwell, Commission Chairman

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

**Finding 2017-001:**

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

**Recommendation:**

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

**Response: Corrective Action:**

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

**Responsible Person(s):**

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

Contact: Louis Maxwell, Commission Chairman

**Finding 2017-002:**

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

**Recommendation:**

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

**Response: Corrective Action:**

The Commission did follow the Alabama Competitive Bid Law, but the bids were not returned to the Purchasing Agent. The bids were with the County Engineer and he did not respond to the auditors or give the information requested.

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

**Responsible Person(s):**

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

Contact: Louis Maxwell, Commission Chairman

**Finding 2017-003:**

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

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

**Recommendation:**

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

**Response: Corrective Action:**

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

**Responsible Person(s):**

Corrective Action: Susan B. Thomas, County Administrator

Contact: Louis Maxwell, Commission Chairman

**Finding 2017-004:**

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

This finding was previously reported as finding number 2016-006.

**Recommendation:**

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

**Response: Corrective Action:**

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

**Responsible Person(s):**

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

**Finding 2017-005:**

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

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

**Recommendation:**

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

**Response: Corrective Action:**

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

**Responsible Person(s):**

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

Contact: Louis Maxwell, Commission Chairman

**Finding 2017-006:**

Generally accepted accounting principles provide for the use of Agency Funds which are maintained by the County Commission to report assets held by the Commission in a purely custodial capacity. Amounts held in these funds are payable to other parties. For the fiscal year ended September 30, 2017, there was no complete, detailed listing to support the amounts reflected in the Agency Funds as due to other parties. The Commission failed to maintain a complete, detailed listing of the payables to support the amount recorded in its Agency Funds resulting in funds on hand of whom the rightful owner is unknown.

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

**Recommendation:**

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

**Response Corrective Action:**

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

The lists did not for the payables in the Agency Funds did not match the financial statements, but these fund will be reconciled and adjusted as of September 30, 2019 in next months close out during the month of March, 2020.

**Responsible Person(s):**

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

Contact: Louis Maxwell, Commission Chairman

**Finding 2017-007:**

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

- ✓ The Commission made loans from the Capital Improvement Fund to the General Fund during fiscal year 2017. The Commission was unable to provide documentation that expenditures made by the General Fund were in accordance with the *Code of Alabama 1975*, Section 11-29-6. At September 30, 2017, the General Fund owed the Capital Improvement Fund \$1,221,175.00 as recorded on the financial statements.
- ✓ The Commission entered into a capital lease on December 28, 2016, in the amount of \$239,345.00 for the lease purchase of Sheriff's Department vehicles. This lease is being accounted for and lease payments are being paid from the Capital Improvement Fund which does not appear to be an allowable use of the Capital Improvement Fund.

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

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

**Recommendation:**

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

**Response: Corrective Action:**

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

Responsible Person(s):

Corrective Actions: Susan B. Thomas, County Administrator

Contact: Louis Maxwell, Commission Chairman

**Finding 2017-008:**

The *Code of Alabama 1975*, Section 11-8-3, requires the Commission to budget appropriations that are not in excess of estimated total revenues available for appropriations. For fiscal year 2017, the Commission did not take existing deficit fund balances into account when preparing the budget for the 2017 fiscal year. The Commission did not have policies and procedures in place to ensure compliance with this legal requirement. As a result, the

Commission approved a budget in which budget appropriations exceeded estimated total revenues available.

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

**Recommendation:**

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

**Response: Corrective Action:**

The Commission did not intentionally budget appropriations in excess of the estimated total revenues available for appropriations. The Commission still did not have enough new or existing revenues to budget the deficit fund balance for the General Fund and Gasoline Fund. It has been a struggle trying to pay the employees and vendors since the close of Victory Land in the fall of 2009. As of March 1, 2020, the Macon County Commission will make an extra concerted effort to not borrow any more money from the Capital Improvement Fund and will continue to repay at least \$50,000.00 or more each fiscal year starting this fiscal year against what is owed as funds become available. The Commission is also looking into additional cut backs in personnel. Due to our financial situation, we are trying to negotiate incentives with employees that are able to retire within this fiscal year. This will not show a savings before the end of this fiscal year, but will make a substantial difference for the next fiscal year.

**Responsible Person(s):**

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

**Finding 2017-009:**

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

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

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

**Recommendation:**

The Commission should issue warrants only from available funds and should not enter into

obligations exceeding available resources.

**Response: Corrective Action:**

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to be 'L. Maxwell', with a long horizontal stroke extending to the right.

Louis Maxwell, Chairman  
Macon County Commission