

Report on the

St. Clair County Commission

St. Clair County, Alabama

October 1, 2017 through September 30, 2018

Filed: December 6, 2019



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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

Dear Madam:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, we submit this report on the results of the audit of the St. Clair County Commission, St. Clair County, Alabama, for the period October 1, 2017 through September 30, 2018.

Sworn to and subscribed before me this
the 4th day of November, 2019.

Charity R Hogg
Notary Public

exp: 3-31-20

Sworn to and subscribed before me this
the 4th day of November, 2019.

Charity R Hogg
Notary Public

exp: 3-31-20

Respectfully submitted,

BriAnna Upchurch

BriAnna Upchurch
Examiner of Public Accounts

Ashley Wood

Ashley Wood
Examiner of Public Accounts

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<p>Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> for federal compliance audits.</p>		
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Department of
Examiners of Public Accounts

SUMMARY

**St. Clair County Commission
October 1, 2017 through September 30, 2018**

The St. Clair County Commission (the “Commission”) is governed by a five-member body elected by the citizens of St. Clair County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 18. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of St. Clair 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 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, as added by Act Number 2018-129.

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, 2018.

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

Commission members and administrative personnel, as reflected on Exhibit 18, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Interim Administrator of the County Commission: Tina Morgan; County Commissioners: Paul Manning, Jeff Brown, Kenneth L. Crowe, James S. (Jimmy) Roberts, and Tommy Bowers. Also in attendance were representatives of the Department of Examiners of Public Accounts: Nikki Morrison, Audit Manager; BriAnna Upchurch, Examiner and Ashley Wood, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

Members of the St. Clair County Commission and County Administrator
Ashville, 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 St. Clair County Commission, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the St. Clair 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 St. Clair County Commission is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clair County Commission, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in the fiscal year ended September 30, 2018, the St. Clair County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 75, **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**, as amended by GASB Statement Number 85, **Omnibus 2017**. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedules of the Employer's Contributions, the Schedule of Changes in the Net Other Postemployment Benefits (OPEB) Liability, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 16) 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 assurance 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.

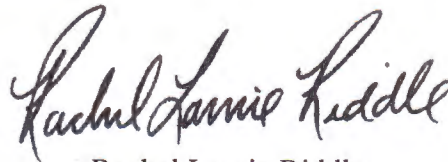
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Clair County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 17), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the St. Clair County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the St. Clair 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 St. Clair County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

October 24, 2019

Basic Financial Statements

Statement of Net Position
September 30, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 14,854,063.53
Cash with Fiscal Agent	283,427.22
Accounts Receivable	354,269.04
Ad Valorem Taxes Receivable	8,039,730.14
Due From Other Governments	937,232.96
Sales Tax Receivable	753,347.10
Notes Receivable (Note 12)	2,669,355.82
Capital Assets (Note 4):	
Nondepreciable	2,657,934.02
Depreciable, Net	35,962,436.28
Total Assets	<u>66,511,796.11</u>
Deferred Outflows of Resources	
Deferred Loss on Refunding	722,983.31
Deferred Employer Pension Contributions	1,078,669.13
Proportionate Share of Deferred Outflows Related to Pension Liability	1,171,422.00
Employer Other Postemployment Benefits (OPEB) Contributions	408,981.03
Proportionate Share of Deferred Outflows Related to Other Postemployment Benefits (OPEB)	28,635.00
Total Deferred Outflows of Resources	<u>3,410,690.47</u>
Liabilities	
Accounts Payable	1,269,198.91
Unearned Revenue	85,411.66
Accrued Wages Payable	260,491.58
Accrued Interest Payable	174,950.97
Long-Term Liabilities:	
Portions Payable Within One Year:	
Warrants Payable	1,795,000.00
Deferred Charges - Unamortized Discount	(1,837.16)
Deferred Charges - Unamortized Premium	84,625.54
Portions Payable After One Year:	
Warrants Payable	24,730,000.00
Deferred Charges - Unamortized Discount	(1,071.71)
Deferred Charges - Unamortized Premium	720,858.80
Estimated Liability for Compensated Absences	3,037,192.93
Net Pension Liability	9,945,917.00
Other Postemployment Benefit (OPEB) Obligation	10,487,472.00
Total Liabilities	<u>\$ 52,588,210.52</u>

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

	Governmental Activities
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue Property Taxes	\$ 7,914,169.46
Revenue Received in Advance - Motor Vehicle Taxes	481,235.29
Proportionate Share of Deferred Inflows Related to Net Pension Liability	1,242,291.00
Proportionate Share of Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability	<u>503,536.00</u>
Total Deferred Inflows of Resources	<u>10,141,231.75</u>
<u>Net Position</u>	
Net Investment in Capital Assets	25,734,040.06
Restricted for:	
Debt Service	108,476.25
Road Projects	1,800,724.38
Public Safety	1,531,095.62
Juvenile Services	358,699.73
Other Purposes	1,137,141.95
Unrestricted	<u>(23,477,133.68)</u>
Total Net Position	<u>\$ 7,193,044.31</u>

Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General Government	\$ 10,370,040.98	\$ 2,893,865.55	\$ 758,941.25
Public Safety	13,296,215.01	2,395,168.34	403,948.43
Highways and Roads	9,097,462.64	69,507.97	3,869,184.91
Sanitation	911,509.62	187,655.14	
Health	241,990.88		
Welfare	75,661.00		
Culture/Recreation	446,656.42		
Education	133,966.51		
Interest on Long-Term Debt	972,079.21		
Intergovernmental	201,091.27		
Total Governmental Activities	<u>\$ 35,746,673.54</u>	<u>\$ 5,546,197.00</u>	<u>\$ 5,032,074.59</u>

General Revenues:

Taxes:
Property Taxes for General Purposes
Property Taxes for Specific Purposes
County Sales and Use Taxes
Miscellaneous Taxes
Grants and Contributions Not Restricted
to Specific Programs
Interest Earned
Miscellaneous
Gain on Disposition of Capital Assets
Total General Revenues

Change in Net Position

Net Position - Beginning of Year, as Restated (Note 14)

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>
\$ 34,039.50	\$ (6,717,234.18)
	(10,463,058.74)
	(5,158,769.76)
	(723,854.48)
	(241,990.88)
	(75,661.00)
	(446,656.42)
	(133,966.51)
	(972,079.21)
	(201,091.27)
<u>\$ 34,039.50</u>	<u>(25,134,362.45)</u>

5,079,747.02
3,910,483.02
8,825,643.19
4,985,383.81
1,154,025.60
34,416.18
2,774,219.47
157,841.02
<u>26,921,759.31</u>
1,787,396.86
5,405,647.45
<u>\$ 7,193,044.31</u>

Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Gasoline Tax Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 9,536,272.88	\$ 374,647.57
Cash with Fiscal Agent		
Accounts Receivable	60,744.61	
Ad Valorem Taxes Receivable	6,362,549.68	
Sales Tax Receivable	753,347.10	
Interfund Receivables	76,701.25	
Due from Other Governments	363,806.72	227,141.58
Notes Receivable (Note 12)	10,784.57	
Total Assets	<u>17,164,206.81</u>	<u>601,789.15</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	246,268.47	32,243.20
Interfund Payables		
Unearned Revenue		
Accrued Wages Payable	181,184.21	45,180.65
Total Liabilities	<u>427,452.68</u>	<u>77,423.85</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue Property Taxes	6,236,989.00	
Revenue Received in Advance - Motor Vehicle Taxes	481,235.29	
Total Deferred Inflows of Resources	<u>6,718,224.29</u>	
<u>Fund Balances</u>		
Restricted for:		
Juvenile Services		
Debt Service		
Highways and Roads		524,365.30
Public Safety		
Other Purposes		
Assigned to:		
Other Purposes	2,638,828.97	
Unassigned	7,379,700.87	
Total Fund Balances	<u>10,018,529.84</u>	<u>524,365.30</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,164,206.81</u>	<u>\$ 601,789.15</u>

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

Local County Road Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,696,141.63	\$ 117,515.34	\$ 3,129,486.11	\$ 14,854,063.53
		283,427.22	283,427.22
293,524.43			354,269.04
	1,677,180.46		8,039,730.14
			753,347.10
			76,701.25
		346,284.66	937,232.96
			10,784.57
<u>1,989,666.06</u>	<u>1,794,695.80</u>	<u>3,759,197.99</u>	<u>25,309,555.81</u>
828,856.27	13,098.73	148,732.24	1,269,198.91
		76,701.25	76,701.25
	85,411.66		85,411.66
	19,004.95	15,121.77	260,491.58
<u>828,856.27</u>	<u>117,515.34</u>	<u>240,555.26</u>	<u>1,691,803.40</u>
	1,677,180.46		7,914,169.46
			481,235.29
	<u>1,677,180.46</u>		<u>8,395,404.75</u>
		358,699.73	358,699.73
		310,010.56	310,010.56
1,160,809.79		115,549.29	1,800,724.38
		1,531,095.62	1,531,095.62
		1,137,141.95	1,137,141.95
			2,638,828.97
		66,145.58	7,445,846.45
<u>1,160,809.79</u>		<u>3,518,642.73</u>	<u>15,222,347.66</u>
<u>\$ 1,989,666.06</u>	<u>\$ 1,794,695.80</u>	<u>\$ 3,759,197.99</u>	<u>\$ 25,309,555.81</u>

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 15,222,347.66

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

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported as assets in governmental funds. 38,620,370.30

All notes receivables are not due and payable in the current period and, therefore, are
not reported as notes receivables in the funds. 2,658,571.25

Loss 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. 722,983.31

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

Deferred Outflows Related to Defined Benefit Pension Plan	\$ 2,250,091.13	
Deferred Inflows Related to Defined Benefit Pension Plan	<u>(1,242,291.00)</u>	1,007,800.13

Deferred outflows and inflows of resources related to Other Postemployment Benefits (OPEB)
are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Other Postemployment Benefits (OPEB)	\$ 437,616.03	
Deferred Inflows Related to Other Postemployment Benefits (OPEB)	<u>(503,536.00)</u>	(65,919.97)

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

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

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 1,795,000.00	\$ 24,730,000.00	
Unamortized - Discounts	(1,837.16)	(1,071.71)	
Unamortized - Premiums	84,625.54	720,858.80	
Accrued Interest Payable	174,950.97		
Net Pension Liability		9,945,917.00	
Other Postemployment Benefits Obligation		10,487,472.00	
Compensated Absences		3,037,192.93	
Total Long-Term Liabilities	<u>\$ 2,052,739.35</u>	<u>\$ 48,920,369.02</u>	<u>(50,973,108.37)</u>
Total Net Position - Governmental Activities (Exhibit 1)			<u><u>\$ 7,193,044.31</u></u>

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

	General Fund	Gasoline Tax Fund
<u>Revenues</u>		
Taxes	\$ 17,753,892.08	\$
Licenses and Permits	135,907.95	
Intergovernmental	1,095,925.23	2,222,339.27
Charges for Services	3,431,806.72	65,524.44
Miscellaneous	431,574.15	508,335.48
Total Revenues	<u>22,849,106.13</u>	<u>2,796,199.19</u>
<u>Expenditures</u>		
Current:		
General Government	7,227,439.17	
Public Safety	9,626,851.46	
Highways and Roads	5,000.00	3,930,562.93
Sanitation	911,509.62	
Health	161,168.87	
Welfare	75,661.00	
Culture/Recreation	382,997.02	
Education	133,966.51	
Capital Outlay	888,082.04	94,121.93
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges	2,257.50	
Intergovernmental	201,091.27	
Total Expenditures	<u>19,616,024.46</u>	<u>4,024,684.86</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,233,081.67</u>	<u>(1,228,485.67)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	17,538.28	1,152,500.00
Sale of Capital Assets	456,025.00	19,813.00
Proceeds from Issuance of Warrants	4,037.72	
Other Financing Sources	100,000.00	
Transfers Out	(2,922,011.05)	
Total Other Financing Sources (Uses)	<u>(2,344,410.05)</u>	<u>1,172,313.00</u>
Net Change in Fund Balances	888,671.62	(56,172.67)
Fund Balances - Beginning of Year	<u>9,129,858.22</u>	<u>580,537.97</u>
Fund Balances - End of Year	<u>\$ 10,018,529.84</u>	<u>\$ 524,365.30</u>

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

Local County Road Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,546,188.46	\$ 1,489,038.34	\$ 12,138.16	\$ 22,801,257.04
		204,412.50	340,320.45
		2,901,875.19	6,220,139.69
3,983.53		1,704,561.86	5,205,876.55
2,087.45	19,872.65	1,828,325.91	2,790,195.64
<u>3,552,259.44</u>	<u>1,508,910.99</u>	<u>6,651,313.62</u>	<u>37,357,789.37</u>
	1,455,411.99	937,562.51	9,620,413.67
		3,031,092.80	12,657,944.26
3,256,959.82		1,326,332.85	8,518,855.60
			911,509.62
			161,168.87
			75,661.00
		7,388.21	390,385.23
			133,966.51
423,562.00	53,499.00	554,412.52	2,013,677.49
		1,615,000.00	1,615,000.00
		982,102.22	984,359.72
			201,091.27
<u>3,680,521.82</u>	<u>1,508,910.99</u>	<u>8,453,891.11</u>	<u>37,284,033.24</u>
(128,262.38)		(1,802,577.49)	73,756.13
		1,788,711.05	2,958,749.33
424,100.00		12,447.00	912,385.00
			4,037.72
			100,000.00
(19,200.00)		(17,538.28)	(2,958,749.33)
<u>404,900.00</u>		<u>1,783,619.77</u>	<u>1,016,422.72</u>
276,637.62		(18,957.72)	1,090,178.85
884,172.17		3,537,600.45	14,132,168.81
<u>\$ 1,160,809.79</u>	<u>\$</u>	<u>\$ 3,518,642.73</u>	<u>\$ 15,222,347.66</u>

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,090,178.85

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,023,065.58) differs from capital outlay (\$2,013,677.49) in the current period. (9,388.09)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,615,000.00

In the Statement of Activities, only the gain on the sale of capital assets is reported whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the changes in net position differs from the change in fund balance by the cost of the capital assets sold. (754,543.98)

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

Net Increase in Compensated Absences	\$	(48,507.82)	
Amortization of Bond Discounts/Premiums/ Gain or Loss on Refunding		2,456.90	
Net Change in Other Postemployment Benefits		54,379.03	
Net Decrease in Accrued Interest Payable		9,823.61	
Net Change in Pension Expense		(86,403.93)	
Total Additional Expenditures		(86,403.93)	(68,252.21)

In the Statement of Revenues, Expenditures and Changes in Fund Balances, revenues that are associated with Notes Receivable are recorded on the modified accrual basis of accounting (i.e. when they are both measurable and available). In the Statement of Activities, revenues are recorded when earned based on the accrual basis using the economic resources measurement focus. (85,597.71)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,787,396.86

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

Statement of Fiduciary Net Position
September 30, 2018

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,216,851.51	\$ 71,019.02
Due from Other Governments		56,064.91
Capital Assets, Net of Depreciation (Note 4)	15,756.40	
Total Assets	<u>2,232,607.91</u>	<u>127,083.93</u>
<u>Liabilities</u>		
Due to Original Property Owner	1,130,815.15	
Accounts Payable	2,804.14	29,434.79
Due to Other Governments		97,649.14
Total Liabilities	<u>1,133,619.29</u>	<u>\$ 127,083.93</u>
<u>Net Position</u>		
Net Investment in Capital Assets	15,756.40	
Held in Trust for Other Purposes	1,083,232.22	
Total Net Position	<u>\$ 1,098,988.62</u>	

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

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

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions by:	
State and Local Governments	\$ 23,004.41
Fees	376,369.26
Miscellaneous	262,669.88
Total Additions	<u>662,043.55</u>
<u>Deductions</u>	
Administrative Expenses	525,626.27
Depreciation	6,892.18
Total Deductions	<u>532,518.45</u>
Changes in Net Position	129,525.10
Net Position - Beginning of Year	<u>969,463.52</u>
Net Position - End of Year	<u><u>\$ 1,098,988.62</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

Fund Financial Statements

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Employee dental insurance is also accounted for in the General Fund as well as the following sub-funds: Contingent and Operations Center Funds. This fund also is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and right-of-ways.
- ◆ **Local County Road Fund** – This fund is a four cent per gallon local excise tax on gasoline and diesel fuel sold in the County to be used to maintain roads and bridges.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes of special county property taxes for the reappraisal of real property located in the County.

The Commission reports the following fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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.

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.

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

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

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost. The Commission reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost. Certificates of deposit are reported at cost.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end. Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

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.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects. Receivables also include various licenses, taxes, and fees collected and not yet remitted to the Commission and amounts due for housing the inmates of various cities in the County.

3. Restricted Assets

Certain general obligation and special revenue warrants as well as certain resources set aside for their repayment, are considered restricted assets because their use is limited by applicable debt covenants. Cash held by the fiscal agent is considered restricted.

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

4. 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	\$ 50,000	20 – 50 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Infrastructure – Roads	\$250,000	20 years
Infrastructure – Bridges	\$ 50,000	40 years

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

5. Deferred Outflows of Resources

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

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

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt.

Bonds/Warrants payable are reported gross of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond 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.

7. Compensated Absences

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

Annual Leave

After completing a 90 day probationary period, employees earn annual leave as follows:

Upon initial eligibility	4 hours each pay period
After 5 years	5 hours each pay period
After 10 years	6 hours each pay period
After 15 years	7 hours each pay period
After 20 years	8 hours each pay period

Unused annual leave in excess of 30 days at the end of any calendar year shall be forfeited. Employees may carry forward to the next calendar year 30 days or less in leave. Upon separation or termination, employees are paid, up to maximum for annual leave. Leave time paid upon termination or resignation, including retirement, must be taken in a lump-sum payment.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Sick Leave

Sick leave benefits are available to employees who have completed the 90 day probationary period. Employees earn four hours of leave every biweekly pay period to a maximum of 1200 hours. Sick leave days do not carryover or accumulate beyond the maximum and employees receive no monetary payment for sick leave credits. Unused sick leave up to 600 hours shall be paid upon death or retirement of an eligible county employee. Sick leave may be converted to retirement service credit.

The Commission uses the termination 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 or other contingencies, such as medical appointments and funerals.

8. Deferred Inflows of Resources

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

9. 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.

10. Postemployment Benefits Other Than Pensions (OPEB)

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

11. Net Position/Fund Balances

Net position components are reported on the government-wide financial statements and are 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. Any significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in the fund financial statements. Fund balances of governmental funds are reported in classifications to indicate the level of constraint on the use of the fund balances. Those classifications and associated constraints are as follows:

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by grantors, contributors or enabling legislation and are generally held in Special Revenue Funds.
- ◆ **Committed** – Committed funds balances consist of amounts that are subject to purpose constraint imposed by formal action of the Commission. Amendments or modifications of the committed fund balance must also be approved by formal action of the Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2018

- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission has delegated authority to the Chairman or County Administrator to make a determination of the assigned amounts of fund balance.
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. The unassigned balance may only be appropriated by resolution of the County Commission.

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of motor vehicle ad valorem taxes, which are budgeted only to the extent expected to be collected rather than on the modified accrual basis of accounting. Budgets for all other governmental funds are adopted on a basis consistent with GAAP. All appropriations lapse at fiscal year-end.

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

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

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

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.

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 obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

As of September 30, 2018, the Commission’s cash with fiscal agent was invested as follows:

Investment Type	Fair Value	Investment Maturity
Fidelity Investments Money Market Treasury Only	\$283,427.22	Varies
Totals	<u>\$283,427.22</u>	

The investment policy approved by the Commission on February 14, 2006, applies primarily to non-fiscal agent deposits, all of which were properly categorized as cash or cash equivalents at September 30, 2018.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Commission’s investment policy limits the Commission’s investments to maturities of less than one year.

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. The Commission has no formal policy regarding credit risk. As of September 30, 2018, the Commission’s investments in money market funds were rated “AAAm” by Standard & Poor’s Corporation.

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 a formal investment policy that limits the amount of securities that can be held by counterparties. However, the Commission’s deposits with Fidelity Investments Money Market Treasury Only Funds do not involve this type of risk as “counterparties” relate to “swap” transactions which are not allowable under the bond covenants.

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 policy that limits the amount the Commission may invest in any one issuer.

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

Note 4 – Capital Assets

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

	Balance 10/01/2017	Additions	Deletions	Balance 09/30/2018
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,638,734.02	\$	\$	\$ 2,638,734.02
Construction in Progress		19,200.00		19,200.00
Total Capital Assets, Not Being Depreciated	2,638,734.02	19,200.00		2,657,934.02
Capital Assets Being Depreciated:				
Buildings and Improvements	27,849,252.55	148,791.31		27,998,043.86
Construction Equipment	3,940,952.89		(45,649.00)	3,895,303.89
Equipment and Furniture	9,660,777.84	1,845,686.18	(1,552,254.27)	9,954,209.75
Infrastructure	15,245,378.36			15,245,378.36
Total Capital Assets, Being Depreciated	56,696,361.64	1,994,477.49	(1,597,903.27)	57,092,935.86
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,295,693.83)	(695,989.67)		(8,991,683.50)
Construction Equipment	(2,344,913.61)	(292,536.72)	45,649.00	(2,591,801.33)
Equipment and Furniture	(6,874,123.03)	(869,499.97)	797,710.29	(6,945,912.71)
Infrastructure	(2,436,062.82)	(165,039.22)		(2,601,102.04)
Total Accumulated Depreciation	(19,950,793.29)	(2,023,065.58)	843,359.29	(21,130,499.58)
Total Capital Assets, Being Depreciated, Net	36,745,568.35	(28,588.09)	(754,543.98)	35,962,436.28
Total Governmental Activities Capital Assets, Net	\$ 39,384,302.37	\$ (9,388.09)	\$ (754,543.98)	\$ 38,620,370.30

	Balance 10/01/2017	Additions	Deletions	Balance 09/30/2018
Fiduciary Funds:				
Capital Assets, Being Depreciated:				
Equipment and Furniture	\$113,361.59	\$	\$	\$113,361.59
Total Capital Assets, Being Depreciated	113,361.59			113,361.59
Less Accumulated Depreciation for:				
Equipment and Furniture	(90,713.01)	(6,892.18)		(97,605.19)
Total Capital Assets, Being Depreciated, Net	22,648.58	(6,892.18)		15,756.40
Total Fiduciary Funds Capital Assets, Net	\$22,648.58	\$(6,892.18)	\$	\$ 15,756.40

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

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 685,581.74
Public Safety	579,647.93
Highway and Roads	620,136.54
Health	81,327.20
Culture/Recreation	56,372.17
Total Depreciation Expense – Governmental Activities	<u>\$2,023,065.58</u>

	Current Year Depreciation Expense
<u>Fiduciary Funds:</u>	
Depreciation	<u>\$6,892.18</u>

Note 5 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees’ Retirement System of Alabama (ERS), an agency multiple-employer plan (the “Plan”), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1975, 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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

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

Benefits Provided

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

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

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

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

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active Members	55,941
Post DROP Retired Member still in Active Service	168
Total	88,517

Contributions

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018, the active employee contribution rate was 5.44 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 9.99 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2018, was 10.62% of pensionable pay for Tier 1 employees, and 7.69% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$1,078,669.13 for the year ended September 30, 2018.

B. Net Pension Liability

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

	Expected	Actual
(a) Total Pension Liability as of September 30, 2016	\$37,853,180	\$37,470,886
(b) Discount Rate Entry Age Normal Cost for the period	7.75%	7.75%
(c) October 1, 2016 – September 30, 2017	860,341	860,341
(d) Transfers Among Employers Actual Benefit Payments and Refunds for the period		(124,118)
(e) October 1, 2016 – September 30, 2017	(1,609,339)	(1,609,339)
(f) Total Pension Liability as of September 30, 2017 [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	\$39,975,442	\$39,439,401
(g) Difference between Expected and Actual		(536,041)
(h) Less Liability Transferred for Immediate Recognition		(124,118)
(i) Experience (Gain)/Loss = (g) – (h)		\$ (411,923)

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

Actuarial Assumptions

The total pension liability in the September 30, 2017, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. 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 ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stock	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.01%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%

Discount Rate

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

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

C. Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2016	\$37,853,108	\$26,209,640	\$11,643,540
Changes for the Year:			
Service Cost	860,341		860,341
Interest	2,871,260		2,871,260
Difference Between expected and actual experience	(411,923)		(411,923)
Contributions – Employer		1,071,748	(1,071,748)
Contributions - Employee		593,987	(593,987)
Net Investment Income		3,351,566	(3,351,566)
Benefit Payments, including Refunds of Employee Contributions	(1,609,339)	(1,609,339)	
Administrative Expense			
Transfers Among Employers	(124,118)	(124,118)	
Net Changes	1,586,221	3,283,844	(1,697,623)
Balances at September 30, 2017	\$39,439,401	\$29,493,484	\$ 9,945,917

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission’s Net Pension Liability	\$14,514,420	\$9,945,917	\$6,079,817

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

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the Commission recognized pension expense of \$1,126,937. At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 410,676.00	\$ 343,269.00
Changes of assumptions	760,746.00	
Net difference between projected and actual earnings on pension plan investments		899,022
Employer contributions subsequent to the measurement date	1,078,669.13	
Total	<u>\$2,250,091.13</u>	<u>\$1,242,291.00</u>

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

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

Year Ending	
September 30, 2019	\$ 17,944
2020	\$ 187,567
2021	\$(141,207)
2022	\$(110,974)
2023	\$ (24,199)
Thereafter	\$

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

B. Benefits Provided

The Commission pays for continuing health benefits for eligible Commission employees under the Commission’s health benefit plan. A retiree with 25 years of service will have health insurance paid by the Commission for 10 years or until age 65 whichever comes first. A retiree with 30 years of service will have health insurance provided until age 65. Eligible retirees will have 100% of their medical and prescription benefits paid for by the Commission. Medical, drug, and vision benefits are offered for pre-Medicare retirees. For fiscal year 2018, the Commission contributed \$408,981.03 to cover approximately 26 participants.

Retired employees also may elect to participate in a dental insurance plan in which the full cost of coverage is paid by the retiree.

Employees Covered by Benefit Terms:

Inactive Employees or Beneficiaries currently receiving benefits	18
Active Employees	253
Total Membership	271

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

Total OPEB Liability

The Commission's net OPEB liability of \$10,487,472 was measured as of September 30, 2016, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.875%
Real Wage Growth	0.25%
Wage Inflation	3.125%
Salary increases, including wage inflation	3.375% - 5.125%
Municipal Bond Index Rate:	
Prior Measurement Date	2.93%
Measurement Date	3.57%
Health Care Cost Trends:	
Pre-Medicare	7.75% for 2016 decreasing to an Ultimate rate of 5.00% by 2022

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

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

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

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

Changes in the Total OPEB Liability

Total OPEB Liability as of September 30, 2016	\$10,607,771
Changes for the Year:	
Service Cost at the end of the year	489,713
Interest on Total OPEB Liability and Cash Flows	305,612
Difference between expected and actual experience	33,668
Changes of assumptions or other inputs	(592,031)
Benefit payments	(357,261)
Net Changes	<u>(120,289)</u>
Total OPEB Liability as of September 30, 2017	<u>\$10,487,472</u>

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

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

	1% Decrease (2.57%)	Current Discount Rate (3.57%)	1% Increase (4.57%)
Total OPEB Liability	\$11,427,397	\$10,487,472	\$9,628,892

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

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

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$9,319,261	\$10,487,472	\$11,854,881

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

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

For the year ended September 30, 2018, the Commission recognized OPEB expense of \$719,618. At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$28,635	\$
Changes of assumptions or other inputs		503,536
Total	<u>\$28,635</u>	<u>\$503,536</u>

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

Year Ending	
September 30, 2019	\$(83,462)
2020	\$(83,462)
2021	\$(83,462)
2022	\$(83,462)
2023	\$(83,462)
Thereafter	\$(57,591)

Note 7 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The St. Clair County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2018 amounted to \$87,811.05.

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

During the 2010 fiscal year, the County entered into a debt guarantee agreement with the Coosa Valley Water Supply District, Incorporation. In the agreement, the County guarantees 25% of certain General Obligation Warrants, Series 2009 issued by the Coosa Valley Water Supply District, Incorporation if the revenues generated by the sale of water are not sufficient to pay the debt service.

The Commission is a defendant in various lawsuits. Management is unable to predict the outcome of the litigation, but believes it has strong grounds upon which to defend these proceedings. Accordingly, no provisions for possible loss, if any, are included in the financial statements.

Note 8 – Long-Term Debt

In November 1999, Gasoline Tax Anticipation Warrants were issued to restore, resurface and rehabilitate roads in the County. These warrants are to be repaid with funds received from the State four-cent gasoline tax. In 2005, warrants were issued to refund the 1999 warrants and to obtain funds to be used for road resurfacing. The interest rate on these warrants varied from 2.7 percent to 4 percent.

In December 2008, the Commission issued General Obligation Warrants, Series 2008, in the amount of \$10,000,000 to finance the renovation of the Ashville Courthouse and road, bridge, water, and sewer improvements. The interest rates on these warrants range from 3 to 5 percent.

In November 2010, the Commission issued General Obligation Warrants, Series 2010, in the amount of \$11,850,000.00 to provide a portion of the amount the County has agreed to contribute to the construction and development of a new hospital facility to be owned by the St. Clair County Health Care Authority. The interest rates on these warrants range from 2 to 4 percent. Pursuant a Development Agreement entered into by the County, St. Clair Health Care Authority, St. Vincent's Health System, St. Vincent's St. Clair, LLC and the City of Pell City, hospital lease revenues received by the Authority must be paid to the County to enable the County to make debt service on the Warrants.

In July 2011, the Commission issued General Obligation Warrants in the amount of \$4,000,000.00 for the purpose of financing the cost of acquiring certain public facilities. The interest rate on these warrants is 3.1 percent. In addition, the City of Pell City has agreed to pay to the County an amount equal to the lessor of (i) \$50,000 per year or (ii) one-half of the debt service of Warrants.

On September 30, 2015, the Commission issued General Obligation Warrants, Series 2015-A, in the amount of \$9,860,000 that was used to partially refund the General Obligation Warrants, Series 2008.

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

On November 17, 2016, the Commission issued General Obligation Refunding Warrants, Series 2016, in the amount of \$4,230,000. This warrant replaces and combines the 2006 and 2007A General Obligation Warrants. The 2006 and 2007A General Obligations were fully defeased, as of September 30, 2017.

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

	Debt Outstanding 10/01/2017, as Restated	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2018	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
2016 General Obligation Warrants	\$ 3,965,000.00	\$	\$ (700,000.00)	\$ 3,265,000.00	\$ 715,000.00
2015 General Obligation Warrants	9,860,000.00		(155,000.00)	9,705,000.00	95,000.00
2011 General Obligation Warrants	4,000,000.00			4,000,000.00	
2010 General Obligation Warrants	9,225,000.00		(475,000.00)	8,750,000.00	485,000.00
2008 General Obligation Warrants	205,000.00			205,000.00	205,000.00
Total General Obligation Warrants	27,255,000.00		(1,330,000.00)	25,925,000.00	1,500,000.00
Gasoline Tax Warrants:					
2005 Gasoline Tax Warrants	885,000.00		(285,000.00)	600,000.00	295,000.00
Total Warrants Payable	28,140,000.00		(1,615,000.00)	26,525,000.00	1,795,000.00
Plus: Unamortized Premium	890,109.88		(84,625.54)	805,484.34	84,625.54
Less: Unamortized Discount	(4,746.03)		1,837.16	(2,908.87)	(1,837.16)
Total Warrants Payable, Net	29,025,363.85		(1,697,788.38)	27,327,575.47	1,877,788.38
Other Liabilities:					
Estimated Liability for					
Compensated Absences	2,988,685.11	48,507.82		3,037,192.93	
Net Pension Liability	11,643,540.00		(1,697,623.00)	9,945,917.00	
Net OPEB Liability	10,607,771.00		(120,299.00)	10,487,472.00	
Total Other Liabilities	25,239,996.11	48,507.82	(1,817,922.00)	23,470,581.93	
Total Long-Term Debt	\$54,265,359.96	\$48,507.82	\$(3,515,710.38)	\$50,798,157.40	\$1,877,788.38
(*) Beginning balance was restated due to the implementation of GASB 75 – See Note 14.					

Payments on the General Obligation Warrants payable are made by the General Fund and Debt Service Funds. The Gasoline Tax Anticipation Warrants are paid by RRR Gasoline Tax Fund.

The compensated absences liability will be liquidated by various governmental funds.

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

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

Fiscal Year Ending	General Obligation Warrants Payable		Gasoline Tax Warrants Payable		Total Principal and Interest Requirements
	Principal	Interest	Principal	Interest	
September 30, 2019	\$ 1,500,000.00	\$ 911,064.72	\$295,000.00	\$18,100.00	\$ 2,724,164.72
2020	5,550,000.00	738,862.50	305,000.00	6,100.00	6,599,962.50
2021	1,595,000.00	691,912.50			2,286,912.50
2022	1,775,000.00	633,987.50			2,408,987.50
2023	1,875,000.00	568,837.50			2,443,837.50
2024-2028	10,630,000.00	1,737,243.75			12,367,243.75
2029-2032	3,000,000.00	306,000.00			3,306,000.00
Total	\$25,925,000.00	\$5,587,908.47	\$600,000.00	\$24,200.00	\$32,137,108.47

Deferred Loss on Refunding, Discounts and Premiums

The Commission has discounts in connection with the issuance of its 2005 Gasoline Tax Anticipation Warrants which are being amortized using the straight-line method over a period of 14 years and nine months.

The Commission has premiums in connection with the issuance of its 2010 General Obligation Warrants which are being amortized using the straight-line method over a period of 21 years.

The Commission has premiums and a deferred loss on refunding in connection with the issuance of its 2015-A General Obligation Warrants, which are being amortized using the straight-line method over a period of 12 years.

	Deferred Loss on Refunding	Discount	Premium
Total Deferred Loss on Refunding, Discount and Premium at October 1	\$1,202,913.99	\$ 27,098.15	\$1,112,166.55
Amount Amortized Prior Years	(399,599.20)	(22,352.12)	(222,056.67)
Balance, October 1, 2017	803,314.79	4,746.03	890,109.88
Current Year Amortized	(80,331.48)	(1,837.16)	(84,625.54)
Balance Deferred Loss on Refunding, Discount and Premium at September 30, 2018	\$ 722,983.31	\$ 2,908.87	\$ 805,484.34

Notes to the Financial Statements

For the Year Ended September 30, 2018

Pledged Revenues

The Commission issued Series 2005 Gasoline Tax Anticipation Refunding Warrants for the purpose of refunding the Series 1999 Gasoline Tax Anticipation Warrants and to obtain funds to be used for road resurfacing. The Commission pledged to repay the gasoline tax anticipation warrants from the County's portion of the proceeds of the four-cent gasoline tax levied by the State of Alabama. Future revenues of \$624,200 are pledged to repay the principal and interest on the warrants as of September 30, 2018. Proceeds of the four-cent gasoline tax in the amount of \$855,795.85 were received by the Commission during the fiscal year ended September 30, 2018, of which \$314,415 was used to pay principal and interest on the warrants. The Series 2005 Gasoline Tax Anticipation Refunding warrants will mature in fiscal year 2020.

Prior Year Defeasance of Debt

In prior years, the Commission defeased certain revenue warrants by placing the proceeds of the new warrants in an irrevocable trust to provide for all future debt service payments of the old warrants. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Commission's financial statements. At September 30, 2018, the total of \$9,065,000.00 of warrants outstanding are considered defeased.

Note 9 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole.

Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

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

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

The Commission purchases commercial insurance for its other risks of loss, including buildings and contents insurance for all properties, employee dishonesty 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.

The Commission is self-insured with regard to employee dental insurance. The Administrative Services Agreement between the Commission and Blue Cross and Blue Shield of Alabama requires the Commission to deposit a monthly fee to cover the costs of claims incurred during the previous month. The maximum employee benefit is \$1,200.00 per employee per calendar year. Employees are personally liable for any additional costs.

The schedule below presents the changes in claims liabilities for the current and previous two years for employee dental insurance:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2015-2016	\$13,588.00	\$166,900.41	\$(171,452.41)	\$ 9,036.00
2016-2017	\$ 9,036.00	\$201,318.13	\$(171,654.31)	\$ 38,699.82
2017-2018	\$38,699.82	\$135,059.66	\$(193,892.41)	\$(20,132.93)

Note 10 – Interfund Transactions

Interfund Receivables and Payables

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

	Interfund Receivables	
	General Fund	Total
Interfund Payables:		
Other Governmental Funds	\$76,701.25	\$76,701.25
Total	\$76,701.25	\$76,701.25

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

Interfund Transfers

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

	Transfers Out			Totals
	General Fund	Local County Road Fund	Other Governmental Funds	
Transfers In:				
General Fund	\$	\$	\$17,538.28	\$ 17,538.28
Gasoline Tax Fund	1,152,500.00			1,152,500.00
Other Governmental Funds	1,769,511.05	19,200.00		1,788,711.05
Totals	\$2,922,011.05	\$19,200.00	\$17,538.28	\$2,958,749.33

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

Note 11 – Related Organizations

A majority of the board members of the Cook Springs Water Authority; New London Water Sewer and Fire Protection Authority; Wolf Creek Water, Sewer and Fire Protection Authority; St. Clair County Library Board; St. Clair County Mental Retardation Development and Disabilities Board; St. Clair County Historical Development Commission; St. Clair County Department of Human Resources Board of Directors; St. Clair County Public Park and Recreation Board; St. Clair County Industrial Development Board; Pinedale Water, Sewer and Fire Protection Authority; St. Clair Airport Authority and the St. Clair County Health Care Authority are appointed by the St. Clair County Commission. The County, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for any of these agencies and the agencies are not considered part of the Commission’s financial reporting entity. These agencies are considered related organizations of the County Commission.

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

Note 12 – Notes Receivable

The Commission has made loans to various governmental entities for the purposes of economic development, sewer/improvement projects, and other capital improvements. The majority of the loans are to be repaid after the sale of development property. The remaining loans are to be repaid over a three to ten-year period. A total of \$2,669,355.82 was outstanding at September 30, 2018. Of this amount, \$10,784.57 is due and payable in the next year.

Note 13 – Tax Abatements

St. Clair County, municipalities and industrial boards within St. Clair County utilize the ***Code of Alabama 1975***, Section 40-9B-13, to grant tax abatements. As of the fiscal year ending September 30, 2018, there were several existing abatements that involved, or had the effect of, decreasing the county and municipalities' taxes which would otherwise have been collected. The agreements causing the real and personal property taxes to be abated were entered into by municipalities and/or industrial boards. A summary of the tax abatements and rebates effecting the County as of September 30, 2018, are presented below.

Municipalities/Industrial Board Abatements

Granting Jurisdiction	Purpose	County Property Taxes Abated	County Sales Tax Abated
City of Ashville	New Industry	\$ 103.18	\$
City of Leeds	New Industry	5,827.58	
City of Moody	Expansion	10,670.00	
City of Moody	New Industry	110,054.12	
City of Riverside	New Industry	9,168.28	
Pell City Industrial	Expansion	126,754.88	7,120.00
Pell City Industrial	New Industry	1,392.16	
Town of Steele	New Industry	24,645.72	
Town of Steele IDB	Expansion	87,107.02	
Town of Ragland	Expansion	2,217.60	
Total		\$377,940.54	\$7,120.00

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

Note 14 – Reclassifications/Restatements

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

	Governmental Activities
Net Position, September 30, 2017, as Previously Reported	\$11,755,589.45
<u>Restatement Due to Adoption of GASB Statement Number 75:</u>	
Net OPEB Liability Due to Actuarial Computation	(6,349,942.00)
Net Position, September 30, 2017, as Restated	<u>\$ 5,405,647.45</u>

Required Supplementary Information

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

	2017	2016
<u>Total pension liability</u>		
Service cost	\$ 860,341.00	\$ 867,265.00
Interest	2,871,260.00	2,707,513.00
Differences between expected and actual experience	(411,923.00)	255,050.00
Changes of Assumptions		1,123,006.00
Benefit payments, including refunds of employee contributions	(1,609,339.00)	(1,720,553.00)
Transfers among employers	(124,118.00)	(83,288.00)
	<hr/>	<hr/>
Net change in total pension liability	1,586,221.00	3,148,993.00
	<hr/>	<hr/>
Total pension liability - beginning	37,853,180.00	34,704,187.00
Total pension liability - ending (a)	<u>\$ 39,439,401.00</u>	<u>\$ 37,853,180.00</u>
<u>Plan fiduciary net position</u>		
Contributions - employer	\$ 1,071,748.00	\$ 1,164,262.00
Contributions - employee	593,987.00	562,071.00
Net investment income	3,351,566.00	2,426,095.00
Benefit payments, including refunds of employee contributions	(1,609,339.00)	(1,720,553.00)
Other (Transfers among employers)	(124,118.00)	(83,288.00)
	<hr/>	<hr/>
Net change in plan fiduciary net position	3,283,844.00	2,348,587.00
	<hr/>	<hr/>
Plan fiduciary net positions - beginning	26,209,640.00	23,861,053.00
Plan fiduciary net positions - ending (b)	<u>\$ 29,493,484.00</u>	<u>\$ 26,209,640.00</u>
	<hr/>	<hr/>
Net pension liability - ending (a) - (b)	\$ 9,945,917.00	\$ 11,643,540.00
	<hr/>	<hr/>
Plan fiduciary net position as a percentage of the total pension liability	74.78%	69.24%
	<hr/>	<hr/>
Covered payroll (*)	\$ 10,349,896.54	\$ 9,878,438.34
	<hr/>	<hr/>
Commission's net pension liability as a percentage of covered payroll	96.10%	117.87%

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

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

<u>2015</u>	<u>2014</u>
\$ 806,990.00	\$ 767,044.00
2,534,604.00	2,423,991.00
484,002.00	
(1,607,908.00)	(2,008,857.00)
<hr/>	
2,217,688.00	1,182,178.00
32,486,499.00	31,304,321.00
<u>\$ 34,704,187.00</u>	<u>\$ 32,486,499.00</u>
<hr/>	
\$ 1,064,205.00	\$ 1,024,626.00
526,722.00	496,892.00
279,088.00	2,544,953.00
(1,607,908.00)	(2,008,857.00)
132,148.00	(89,880.00)
<hr/>	
394,255.00	1,967,734.00
23,466,798.00	21,499,064.00
<u>\$ 23,861,053.00</u>	<u>\$ 23,466,798.00</u>
<hr/>	
\$ 10,843,134.00	\$ 9,019,701.00
68.76%	72.24%
\$ 9,895,952.75	\$ 9,343,630.00
109.57%	96.53%

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

	2018	2017
Actuarially determined contribution (*)	\$ 1,078,669.13	\$ 1,071,748.00
Contributions in relation to the actuarially determined contribution	<u>\$ 1,078,669.13</u>	<u>\$ 1,071,748.00</u>
Contribution deficiency (excess)	\$	\$
Covered payroll (**)	\$ 10,798,114.29	\$ 10,349,896.54
Contributions as a percentage of covered payroll	9.99%	10.36%

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

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

Notes to Schedule

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 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	23.1 years
Asset valuation method	Five year smoothed market
Inflation	3%
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.

2016	2015	2014
\$ 1,164,262.00	\$ 1,064,205.00	\$ 1,024,626.00
\$ 1,164,262.00	\$ 1,064,205.00	\$ 1,024,626.00
\$	\$	\$
\$ 9,878,438.34	\$ 9,895,952.75	\$ 9,343,630.00
11.79%	10.75%	10.97%

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

	2017
Total OPEB Liability	
Service cost	\$ 489,713.00
Interest	305,612.00
Differences between expected and actual experience	33,668.00
Changes of Assumptions	(592,031.00)
Benefit payments	<u>(357,261.00)</u>
Net change in total OPEB liability	(120,299.00)
Total OPEB Liability - Beginning	<u>10,607,771.00</u>
Total OPEB Liability - Ending	<u><u>\$ 10,487,472.00</u></u>
Covered-employee payroll	\$ 10,713,026.00
Net OPEB liability as a percentage of covered-employee payroll	97.89%

Notes to Schedule:

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

Changes in Assumptions. The discount rate as of September 30, 2016, was 2.93% and it changed to 3.57% as of September 30, 2017.

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

***Schedule of the Employer's Contributions - Other
Postemployment Benefits (OPEB)
For the Year Ended September 30, 2018***

	2018
Actuarially determined contribution	\$ 408,981.03
Contributions in relation to the actuarially determined contribution	<u>\$ 408,981.03</u>
Contribution deficiency (excess)	\$
Covered employee payroll	\$ 11,328,061.14
Contributions as a percentage of covered employee payroll	3.61%

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

Methods and assumptions used to determine contribution rates:

Notes to Schedule

Valuation date: September 30, 2016

Actuarially determined contribution rates are calculated as of September 30, two 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, 2016 actuarial valuation.

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

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, open
Remaining amortization period	6.69 years
Asset valuation method	Market Value
Inflation	3.125% annually
Healthcare cost trend rates	5.00 to 7.75%
Salary increases	4.0% annually
Discount Rate	3.57% per annum, compounded annually
Retirement age	The earlier of 30 years of service at any age or attainment of age 60 and 25 years of service; employees hired on and after January 1, 2013 are not eligible to retire until age 62.
Mortality	RP-2000 without projection, 70% for males and 50% for females

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

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

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 14,600,921.80	\$ 14,744,512.29	\$ 15,168,208.67
Licenses and Permits	130,755.00	130,755.00	135,907.95
Intergovernmental	1,366,822.50	1,514,917.80	1,070,453.10
Charges for Services	3,388,707.00	3,389,362.00	3,431,806.72
Miscellaneous	278,729.14	440,460.25	427,740.31
Total Revenues	<u>19,765,935.44</u>	<u>20,220,007.34</u>	<u>20,234,116.75</u>
Expenditures			
Current:			
General Government	6,798,426.61	7,221,321.13	7,227,439.17
Public Safety	10,622,862.29	10,732,100.98	9,626,851.46
Highways and Roads			
Sanitation	911,515.00	911,515.00	911,509.62
Health	552,965.50	558,065.50	161,168.87
Welfare	76,661.00	76,661.00	75,661.00
Culture and Recreation	219,661.20	436,093.16	382,997.02
Education	142,995.98	152,295.98	133,966.51
Capital Outlay	1,691,225.00	1,739,877.28	223,117.23
Intergovernmental	147,331.18	206,140.68	201,091.27
Debt Service:			
Interest and Fiscal Charges	2,257.50	2,257.50	2,257.50
Total Expenditures	<u>21,165,901.26</u>	<u>22,036,328.21</u>	<u>18,946,059.65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,399,965.82)</u>	<u>(1,816,320.87)</u>	<u>1,288,057.10</u>
Other Financing Sources (Uses)			
Transfers In	1,925,668.45	1,944,661.60	17,538.28
Sale of Capital Assets			24,405.00
Proceeds from Issuance of Warrants			4,037.72
Other Financing Sources			100,000.00
Transfers Out	(1,808,133.56)	(1,809,710.63)	(1,361,749.86)
Total Other Financing Sources (Uses)	<u>117,534.89</u>	<u>134,950.97</u>	<u>(1,215,768.86)</u>
Net Change in Fund Balances	(1,282,430.93)	(1,681,369.90)	72,288.24
Fund Balances - Beginning of Year	<u>7,658,162.77</u>	<u>7,658,162.77</u>	<u>7,658,162.77</u>
Fund Balances - End of Year	<u>\$ 6,375,731.84</u>	<u>\$ 5,976,792.87</u>	<u>\$ 7,730,451.01</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1) (2) \$	2,585,683.41	\$ 17,753,892.08
		135,907.95
(2)	25,472.13	1,095,925.23
		3,431,806.72
(2)	3,833.84	431,574.15
	<u>2,614,989.38</u>	<u>22,849,106.13</u>
		7,227,439.17
		9,626,851.46
(3)	(5,000.00)	5,000.00
		911,509.62
		161,168.87
		75,661.00
		382,997.02
		133,966.51
(3)	(664,964.81)	888,082.04
(3)		201,091.27
		2,257.50
	<u>(669,964.81)</u>	<u>19,616,024.46</u>
	<u>1,945,024.57</u>	<u>3,233,081.67</u>
		17,538.28
(4)	431,620.00	456,025.00
		4,037.72
		100,000.00
(4)	(1,560,261.19)	(2,922,011.05)
	<u>(1,128,641.19)</u>	<u>(2,344,410.05)</u>
	816,383.38	888,671.62
(5)	<u>1,471,695.45</u>	<u>9,129,858.22</u>
	<u>\$ 2,288,078.83</u>	<u>\$ 10,018,529.84</u>

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

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

The Commission budgets on the modified accrual basis of accounting except as shown below:

- (1) The Commission recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned.

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

(2) Revenues:		
Public Building Roads and Bridges Fund - Taxes	\$	2,548,294.29
Public Building Roads and Bridges Fund - Motor Vehicle Ad Valorem Taxes		12,283.30
Public Building Roads and Bridges Fund - Intergovernmental		25,472.13
Public Building Roads and Bridges Fund - Miscellaneous		<u>3,833.84</u>
(3) Expenditures:		
Public Building Roads and Bridges Fund - Highways and Roads	\$	(5,000.00)
Public Building Roads and Bridges Fund - Capital Outlay		<u>(664,964.81)</u>
(4) Other Financing Sources/(Uses), Net:		
Public Buildings, Roads and Bridges Fund - Sale of Capital Assets	\$	431,620.00
Public Buildings, Roads and Bridges Fund - Transfers Out		<u>(1,560,261.19)</u>

Net Increase in Fund Balance - Budget to GAAP

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

\$ 25,105.82

2,589,883.56

(669,964.81)

(1,128,641.19)

\$ 816,383.38

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Intergovernmental	\$ 1,591,097.00	\$ 1,829,718.55	\$ 1,859,821.76
Charges for Services	70,000.00	102,747.84	65,524.44
Miscellaneous	441,581.00	468,706.00	508,254.54
Total Revenues	<u>2,102,678.00</u>	<u>2,401,172.39</u>	<u>2,433,600.74</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	3,789,376.75	4,175,319.48	3,930,562.93
Capital Outlay	112,875.00	107,250.00	94,121.93
Total Expenditures	<u>3,902,251.75</u>	<u>4,282,569.48</u>	<u>4,024,684.86</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,799,573.75)</u>	<u>(1,881,397.09)</u>	<u>(1,591,084.12)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	1,673,595.00	1,673,595.00	1,516,095.00
Sale of Capital Assets			19,813.00
Total Other Financing Sources (Uses)	<u>1,673,595.00</u>	<u>1,673,595.00</u>	<u>1,535,908.00</u>
Net Change in Fund Balances	(125,978.75)	(207,802.09)	(55,176.12)
Fund Balances - Beginning of Year	<u>498,625.46</u>	<u>498,625.46</u>	<u>498,625.46</u>
Fund Balances - End of Year	<u>\$ 372,646.71</u>	<u>\$ 290,823.37</u>	<u>\$ 443,449.34</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 362,517.51	\$ 2,222,339.27
		65,524.44
(1)	80.94	508,335.48
	<u>362,598.45</u>	<u>2,796,199.19</u>
		3,930,562.93
		94,121.93
		<u>4,024,684.86</u>
	<u>362,598.45</u>	<u>(1,228,485.67)</u>
(2)	(363,595.00)	1,152,500.00
		19,813.00
	<u>(363,595.00)</u>	<u>1,172,313.00</u>
	(996.55)	(56,172.67)
(3)	<u>81,912.51</u>	<u>580,537.97</u>
	<u>\$ 80,915.96</u>	<u>\$ 524,365.30</u>

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

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

The Commission budgets on the modified accrual basis of accounting except as shown below:

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

(1) Revenues:		
Gasoline Tax Fund - ATRIP		
Public Highway and Traffic - Intergovernmental	\$	309,918.83
Public Highway and Traffic - Miscellaneous		62.51
Severed Material Tax - Intergovernmental		52,598.68
Severed Material Tax - Miscellaneous		18.43
		<hr/>
(2) Other Financing Sources (NET):		
Public Highway and Traffic	\$	(313,575.00)
Severed Material Tax		(50,020.00)
		<hr/>

Net Decrease in Fund Balance - Budget to GAAP

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

\$ 362,598.45

(363,595.00)

\$ (996.55)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 3,496,000.00	\$ 3,496,000.00	\$ 3,546,188.46
Intergovernmental	660,000.00	160,000.00	
Charges for Services	825,543.50		3,983.53
Miscellaneous	2,000.00	2,000.00	2,087.45
Total Revenues	<u>4,983,543.50</u>	<u>3,658,000.00</u>	<u>3,552,259.44</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	4,946,701.50	3,630,858.00	3,256,959.82
Capital Outlay	425,642.00	425,642.00	423,562.00
Total Expenditures	<u>5,372,343.50</u>	<u>4,056,500.00</u>	<u>3,680,521.82</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(388,800.00)</u>	<u>(398,500.00)</u>	<u>(128,262.38)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In/Out			(19,200.00)
Sale of Capital Assets			424,100.00
Total Other Financing Sources (Uses)			<u>404,900.00</u>
Net Change in Fund Balances	(388,800.00)	(398,500.00)	276,637.62
Fund Balances - Beginning of Year	<u>884,172.17</u>	<u>884,172.17</u>	<u>884,172.17</u>
Fund Balances - End of Year	<u>\$ 495,372.17</u>	<u>\$ 485,672.17</u>	<u>\$ 1,160,809.79</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 3,546,188.46
	3,983.53
	2,087.45
	<u>3,552,259.44</u>
	3,256,959.82
	<u>423,562.00</u>
	<u>3,680,521.82</u>
	(128,262.38)
	(19,200.00)
	<u>424,100.00</u>
	<u>404,900.00</u>
	276,637.62
	884,172.17
<u>\$</u>	<u>\$ 1,160,809.79</u>

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

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 1,574,450.00	\$ 1,574,450.00	\$ 1,489,038.34
Miscellaneous	3,810.00	17,417.72	19,872.65
Total Revenues	<u>1,578,260.00</u>	<u>1,591,867.72</u>	<u>1,508,910.99</u>
Expenditures			
Current:			
General Government	1,538,260.00	1,538,260.00	1,455,411.99
Capital Outlay	40,000.00	53,607.72	53,499.00
Total Expenditures	<u>1,578,260.00</u>	<u>1,591,867.72</u>	<u>1,508,910.99</u>
Fund Balances - Beginning of Year	<hr/>		
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,489,038.34
	19,872.65
	<u>1,508,910.99</u>
	1,455,411.99
	53,499.00
	<u>1,508,910.99</u>
<u>\$</u>	<u>\$</u>

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Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number
<u>U. S. Department of Interior</u>		
<u>Direct Program</u>		
Payments in Lieu of Taxes	15.226	N/A
Total U. S. Department of Interior		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Alabama Department of Transportation</u>		
Formula Grants for Rural Areas (M)	20.509	N/A
Job Access and Reverse Commute Program	20.516	N/A
Total U. S. Department of Transportation		
<u>Center for Disease Control and Prevention</u>		
<u>Passed Through the Alabama Department of Public Health</u>		
Public Health Emergency Preparedness	93.069	CEP-20-PV8-18
Total U. S. Department of Public Health		
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4362-8-PA-AL
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4362-6-PA-AL
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4362-64-PA-AL
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4362-72-PA-AL
Sub-Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)		
Emergency Management Performance Grants	97.042	18EMS
Emergency Management Performance Grants	97.042	18EMF
Sub-Total Emergency Management Performance Grants		
Homeland Security Grant Program	97.067	CERT17
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Major Program

N/A = Not Applicable/Not Available

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

Pass-Through to Subrecipients	Total Federal Expenditures
N/A	<u>\$ 10.00</u> <u>10.00</u>
N/A	464,503.00
N/A	<u>7,962.00</u> <u>472,465.00</u>
N/A	<u>18,136.10</u> <u>18,136.10</u>
N/A	39,582.62
N/A	34,039.50
N/A	230,092.65
N/A	<u>18,748.24</u> 322,463.01
N/A	12,000.00
N/A	<u>41,325.00</u> 53,325.00
N/A	<u>200.45</u> <u>375,988.46</u>
	<u>\$ 866,599.56</u>

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

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the St. Clair County Commission (the “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 Commission, it is not intended to and does not present the financial position or changes in net position of the 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 Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

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

<u>Commission Members</u>		<u>Term Expires</u>
Hon. Paul Manning	Chairman	2018
Hon. Jeff Brown	Member	2018
Hon. Kenneth L. Crowe (*)	Member	2020
Hon. Ricky A. Parker	Member	2020
Hon. James S. (Jimmy) Roberts	Member	2020
Hon. Tommy Bowers	Member	2020

Administrative Personnel

Laura Lawley	Administrator/Treasurer
Tina Morgan (**)	Interim Administrator/Treasurer

(*) Kenneth Crowe was appointed as Revenue Commissioner on December 22, 2017 and Ricky A. Parker was elected as District II Commissioner in his place on February 8, 2018.
(**) Tina Morgan was appointed Interim Administrator on August 4, 2018.

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

Independent Auditor's Report

Members of the St. Clair County Commission and County Administrator
Ashville, 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 St. Clair County Commission as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the St. Clair County Commission's basic financial statements and have issued our report thereon dated October 24, 2019.

Internal Control Over Financial Reporting

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

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

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

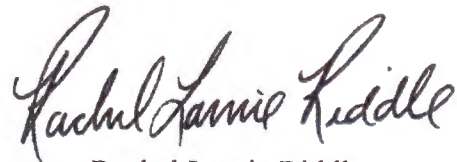
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

October 24, 2019

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

Independent Auditor's Report

Members of the St. Clair County Commission and County Administrator
Ashville, Alabama

Report on Compliance for the Major Federal Program

We have audited the St. Clair County Commission's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on the St. Clair Commission's major federal program for the year ended September 30, 2018. The St. Clair County 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 of the St. Clair County Commission's major federal program 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 *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 St. Clair County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

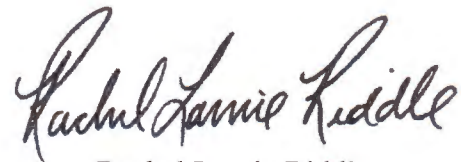
Management of the St. Clair County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the St. Clair County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate on the circumstance 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 St. Clair County Commission's internal control over compliance.

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

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

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

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

October 24, 2019

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

Section I – Summary of Examiner's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.509	Formula Grants for Rural Areas

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

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

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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