

Report on the

# St. Clair County Commission

St. Clair County, Alabama

October 1, 2019 through September 30, 2020

Filed: April 15, 2022



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

State of Alabama  
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**Examiners of Public Accounts**

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

Dear Madam:

An audit was conducted on the St. Clair County Commission, St. Clair County, Alabama, for the period October 1, 2019 through September 30, 2020. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Amanda Hensley'. The signature is stylized with a large, looping initial 'A' and a trailing flourish.

Amanda Hensley  
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>	
Exhibit #18	<b>Commission Members and Administrative Personnel</b> – a listing of the Commission members and administrative personnel. <span style="float: right;">59</span>
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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**St. Clair County Commission  
October 1, 2019 through September 30, 2020**

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 major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the basic financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

**AUDIT FINDING**

A problem was found with the Commission’s internal controls over financial reporting and it is summarized below:

- ◆ 2020-001 relates to the Commission’s failure to report all notes receivable.

**EXIT CONFERENCE**

Commission members and administrative personnel, as reflected on Exhibit 18, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: County Administrator: Tina Morgan; and County Commissioners: Paul Manning, Jeff Brown, Ricky A. Parker and Tommy Bowers. Also in attendance was a representative of the Department of Examiners of Public Accounts: Amanda Hensley, Audit Manager. The results of this report were discussed by telephone call with Marvin (Bob) Mize, III.

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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, 2020, and the related notes to the financial statements, which collectively comprise the St. Clair County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

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

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

### **Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clair County Commission, as of September 30, 2020, 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**

The financial statements for the year ended September 30, 2020 reflect certain prior period adjustments as described further in Note 14 to the financial statements. 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 Schedules of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedules of Employer's Contributions 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 the 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 purpose 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 financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2022, on our consideration of the St. Clair County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

March 17, 2022

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# *Basic Financial Statements*

***Statement of Net Position***  
***September 30, 2020***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 23,843,672.35
Cash with Fiscal Agent	3.10
Accounts Receivable	455,891.31
Ad Valorem Taxes Receivable	8,983,567.36
Due from Other Governments	2,868,920.01
Sales Tax Receivable	900,930.75
Notes Receivable (Note 12)	12,507,651.87
Prepaid Expenses	10,000.00
Capital Assets (Note 4):	
Nondepreciable	2,676,334.02
Depreciable, Net	33,037,825.70
Total Assets	<u>85,284,796.47</u>
<b><u>Deferred Outflows of Resources</u></b>	
Loss on Refunding of Debt	562,320.35
Employer Pension Contributions	1,080,752.14
Deferred Outflows Related to Net Pension Liability	1,097,382.00
Employer Other Postemployment Benefits (OPEB) Contributions	387,466.31
Deferred Outflows Related to Other Postemployment Benefits (OPEB) Liability	1,296,658.00
Total Deferred Outflows of Resources	<u>4,424,578.80</u>
<b><u>Liabilities</u></b>	
Accounts Payable	153,974.53
Unearned Revenue	161,727.33
Accrued Wages Payable	419,982.92
Accrued Interest Payable	149,436.44
Long-Term Liabilities:	
Portions Payable Within One Year:	
Warrants Payable	1,595,000.00
Deferred Charges - Unamortized Premium	84,625.54
Portions Payable After One Year:	
Warrants Payable	21,280,000.00
Deferred Charges - Unamortized Premium	551,607.72
Estimated Liability for Compensated Absences	3,221,264.22
Net Pension Liability	9,479,392.00
Other Postemployment Benefit (OPEB) Obligation	12,430,477.00
Total Liabilities	<u>\$ 49,527,487.70</u>

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

	<b>Governmental Activities</b>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Taxes	\$ 8,866,799.93
Revenue Received in Advance - Motor Vehicle Taxes	526,647.91
Deferred Inflows Related to Net Pension Liability	1,317,766.00
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Liability	<u>562,682.00</u>
Total Deferred Inflows of Resources	<u>11,273,895.84</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	24,127,206.40
Restricted for:	
Road Projects	3,856,056.19
Public Safety	2,100,035.16
Juvenile Services	432,078.26
Other Purposes	1,807,432.83
Unrestricted	<u>(3,414,817.11)</u>
Total Net Position	<u>\$ 28,907,991.73</u>

**Statement of Activities**  
**For the Year Ended September 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position Total Governmental Activities
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General Government	\$ 10,691,600.41	\$ 3,274,418.61	\$ 2,016,336.75	\$	\$ (5,400,845.05)
Public Safety	15,718,863.87	2,684,584.52	481,047.43	16,544.00	(12,536,687.92)
Highways and Roads	9,421,430.16	108,195.22	3,524,575.74	853,647.78	(4,935,011.42)
Sanitation	835,549.00	202,536.31			(633,012.69)
Health	205,491.30				(205,491.30)
Welfare	76,011.00				(76,011.00)
Culture/Recreation	259,785.18				(259,785.18)
Education	138,474.44				(138,474.44)
Interest on Long-Term Debt	856,822.22				(856,822.22)
Intergovernmental	246,652.55				(246,652.55)
Total Governmental Activities	\$ 38,450,680.13	\$ 6,269,734.66	\$ 6,021,959.92	\$ 870,191.78	(25,288,793.77)
<b>General Revenues:</b>					
Taxes:					
Property Taxes for General Purposes					5,720,587.54
Property Taxes for Specific Purposes					4,195,045.38
County Sales and Use Taxes					10,130,227.26
Miscellaneous Taxes					5,454,134.59
Grants and Contributions Not Restricted to Specific Programs					2,496,286.23
Interest Earned					50,996.62
Miscellaneous					2,753,643.34
Gain/(Loss) on Disposition of Capital Assets					(1,231,908.97)
Total General Revenues					29,569,011.99
Change in Net Position					4,280,218.22
Net Position - Beginning of Year, as Restated (Note 14)					24,627,773.51
Net Position - End of Year					\$ 28,907,991.73

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

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2020**

	General Fund	Gasoline Tax Fund	Local County Road Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$ 16,123,941.44	\$ 285,390.39	\$ 2,751,128.51	\$ 192,430.25	\$ 4,490,781.76	\$ 23,843,672.35
Cash with Fiscal Agent					3.10	3.10
Accounts Receivable	178,058.02		277,833.29			455,891.31
Ad Valorem Taxes Receivable	7,336,242.43			1,647,324.93		8,983,567.36
Sales Tax Receivable	900,930.75					900,930.75
Interfund Receivables	194,159.50					194,159.50
Due from Other Governments	2,060,752.90	194,867.58			613,299.53	2,868,920.01
Notes Receivable (Note 12)	143,975.99					143,975.99
Prepaid Expenses	10,000.00					10,000.00
<b>Total Assets</b>	<b>26,948,061.03</b>	<b>480,257.97</b>	<b>3,028,961.80</b>	<b>1,839,755.18</b>	<b>5,104,084.39</b>	<b>37,401,120.37</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	153,974.53					153,974.53
Interfund Payables					194,159.50	194,159.50
Unearned Revenue				161,727.33		161,727.33
Accrued Wages Payable	299,704.57	70,377.39		30,702.92	19,198.04	419,982.92
<b>Total Liabilities</b>	<b>453,679.10</b>	<b>70,377.39</b>		<b>192,430.25</b>	<b>213,357.54</b>	<b>929,844.28</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue Property Taxes	7,219,475.00			1,647,324.93		8,866,799.93
Revenue Received in Advance - Motor Vehicle Taxes	526,647.91					526,647.91
<b>Total Deferred Inflows of Resources</b>	<b>7,746,122.91</b>			<b>1,647,324.93</b>		<b>9,393,447.84</b>
<b>Fund Balances</b>						
Restricted for:						
Juvenile Services					432,078.26	432,078.26
Debt Service					3.10	3.10
Highways and Roads		409,880.58	3,028,961.80		417,213.81	3,856,056.19
Public Safety					2,100,035.16	2,100,035.16
Other Purposes					1,807,432.83	1,807,432.83
Assigned to:						
Other Purposes	5,201,266.58				133,963.69	5,335,230.27
Unassigned	13,546,992.44					13,546,992.44
<b>Total Fund Balances</b>	<b>18,748,259.02</b>	<b>409,880.58</b>	<b>3,028,961.80</b>		<b>4,890,726.85</b>	<b>27,077,828.25</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 26,948,061.03</b>	<b>\$ 480,257.97</b>	<b>\$ 3,028,961.80</b>	<b>\$ 1,839,755.18</b>	<b>\$ 5,104,084.39</b>	<b>\$ 37,401,120.37</b>

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

***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 27,077,828.25

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. 35,714,159.72

All notes receivables are not due and payable in the current period and, therefore, are  
not reported as notes receivables in the funds. 12,363,675.88

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. 562,320.35

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

Deferred Outflows Related to Net Pension Liability	\$ 2,178,134.14	
Deferred Inflows Related to Net Pension Liability	<u>(1,317,766.00)</u>	860,368.14

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 OPEB Liability	\$ 1,684,124.31	
Deferred Inflows Related to OPEB Liability	<u>(562,682.00)</u>	1,121,442.31

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	\$ 1,595,000.00	\$ 21,280,000.00	
Unamortized - Premiums	84,625.54	551,607.72	
Accrued Interest Payable	149,436.44		
Net Pension Liability		9,479,392.00	
Other Postemployment Benefits Obligation		12,430,477.00	
Compensated Absences		<u>3,221,264.22</u>	
Total Long-Term Liabilities	<u>\$ 1,829,061.98</u>	<u>\$ 46,962,740.94</u>	<u>(48,791,802.92)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 28,907,991.73

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

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2020**

	General Fund	Gasoline Tax Fund	Local County Road Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 20,641,229.14	\$	\$ 3,374,946.33	\$ 1,471,872.50	\$ 11,946.80	\$ 25,499,994.77
Licenses and Permits	163,144.75				335,687.50	498,832.25
Intergovernmental	3,623,548.15	1,941,738.15			3,823,151.63	9,388,437.93
Charges for Services	3,897,196.01	108,195.22			1,765,511.18	5,770,902.41
Miscellaneous	410,236.50	518,729.23	3,795.19	13,157.05	2,743,617.36	3,689,535.33
Total Revenues	28,735,354.55	2,568,662.60	3,378,741.52	1,485,029.55	8,679,914.47	44,847,702.69
<b>Expenditures</b>						
Current:						
General Government	7,329,837.25			1,485,029.55	893,470.52	9,708,337.32
Public Safety	11,098,421.74				3,753,744.95	14,852,166.69
Highways and Roads	5,000.00	3,704,231.46	2,839,039.00		2,144,098.94	8,692,369.40
Sanitation	835,549.00					835,549.00
Health	144,734.12					144,734.12
Welfare	76,011.00					76,011.00
Culture/Recreation	201,517.31				1,895.70	203,413.01
Education	138,474.44					138,474.44
Capital Outlay	738,623.93	169,840.07	716,929.00		273,448.90	1,898,841.90
Debt Service:						
Principal Retirement					1,855,000.00	1,855,000.00
Interest and Fiscal Charges	1,100.00				872,565.77	873,665.77
Intergovernmental	246,652.55					246,652.55
Total Expenditures	20,815,921.34	3,874,071.53	3,555,968.00	1,485,029.55	9,794,224.78	39,525,215.20
Excess (Deficiency) of Revenues Over Expenditures	7,919,433.21	(1,305,408.93)	(177,226.48)		(1,114,310.31)	5,322,487.49
<b>Other Financing Sources (Uses)</b>						
Transfers In		1,075,000.00			1,952,751.47	3,027,751.47
Sale of Capital Assets	450,227.70	2,200.00	430,590.00		18,153.00	901,170.70
Transfers Out	(3,027,751.47)					(3,027,751.47)
Total Other Financing Sources (Uses)	(2,577,523.77)	1,077,200.00	430,590.00		1,970,904.47	901,170.70
Net Change in Fund Balances	5,341,909.44	(228,208.93)	253,363.52		856,594.16	6,223,658.19
Fund Balances - Beginning of Year	13,406,349.58	638,089.51	2,775,598.28		4,034,132.69	20,854,170.06
Fund Balances - End of Year	\$ 18,748,259.02	\$ 409,880.58	\$ 3,028,961.80	\$	\$ 4,890,726.85	\$ 27,077,828.25

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

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2020***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 6,223,658.19

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,980,939.66) differs from capital outlay (\$1,898,841.90) in the current period. (82,097.76)

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. 1,855,000.00

In the Statement of Activities, only the gain/(loss) on the sale of capital assets is reported whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the changes in net position differs from the change in fund balance by the cost of the capital assets sold. (2,133,079.67)

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	\$	(162,811.73)	
Amortization of Bond Discounts/Premiums/			
Gain or Loss on Refunding		3,222.35	
Net Change in Other Post Employment Benefits		(531,025.20)	
Net Change in Accrued Interest Payable		13,621.20	
Net Change in Pension Expense		(21,373.79)	
Total Additional Expenditures		(698,367.17)	(698,367.17)

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. (884,895.37)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 4,280,218.22

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

***Statement of Fiduciary Net Position***  
***September 30, 2020***

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 3,753,898.29	\$ 84,329.13
Due from Other Governments		220,042.98
Capital Assets, Net of Depreciation (Note 4)	6,752.74	
Total Assets	<u>3,760,651.03</u>	<u>304,372.11</u>
<b><u>Liabilities</u></b>		
Due to Original Property Owner	2,356,565.59	
Due to Other Governments		304,372.11
Total Liabilities	<u>2,356,565.59</u>	<u>\$ 304,372.11</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	6,752.74	
Held in Trust for Other Purposes	1,397,332.70	
Total Net Position	<u>\$ 1,404,085.44</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, 2020***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Contributions by:	
State and Local Governments	\$ 13,438.27
Fees	355,907.99
Miscellaneous	192,765.22
Total Additions	<u>562,111.48</u>
<b><u>Deductions</u></b>	
Administrative Expenses	344,390.53
Depreciation	4,501.83
Total Deductions	<u>348,892.36</u>
Changes in Net Position	213,219.12
Net Position - Beginning of Year	<u>1,190,866.32</u>
Net Position - End of Year	<u><u>\$ 1,404,085.44</u></u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **Fund Financial Statements**

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Employee dental insurance is also accounted for in the General Fund as well as the following sub-funds: Contingent and Operations Center Funds. The fund is also used to report the expenditures for building and maintaining public buildings, roads and bridges. Also, included in this fund are Coronavirus Relief Funds.
- ◆ **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 rights-of-way.
- ◆ **Local County Road Fund** – This fund is used to account for 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 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

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

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

Cash 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, and certificates of deposit, which are reported at 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.

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

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

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

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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**3. Restricted Assets**

Certain general obligation warrants as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. Cash held by the fiscal agent is considered restricted.

**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 – 40 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Infrastructure – Roads	\$250,000	40 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**5. Deferred Outflows of Resources**

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

**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 bond/warrants.

Bonds/Warrants payable are reported gross with the applicable bond/warrant premium or discount reported separately. 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 debt service expenditures.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**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.

**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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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

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

- ◆ Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- ◆ Committed fund balances consist of amounts that are subject to a specific purpose imposed by formal action of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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- ◆ Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
  
- ◆ Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

#### **E. Pensions**

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

#### **F. Postemployment Benefits Other Than Pensions (OPEB)**

For the purposes of measuring the 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**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, 2020, the Commission's cash with fiscal agent was invested as follows:

Investment Type	Amortized Cost	Investment Maturity
Fidelity Investments Money Market Treasury Only	\$2.95	Varies
Blackrock Liquidity Treasury Trust Fund	0.15	Varies
Totals	<u>\$3.10</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, 2020.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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**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** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. 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 Moody’s Investors Service, Inc. The Commission has no formal policy regarding credit risk. The Commission’s investments in money market funds were rated AAAM and AAA-mf by Moody’s Investors Service.

**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 Blackrock Liquidity Treasury Trust Funds and Fidelity Institutional 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, 2020***

**Note 4 – Capital Assets**

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions	Deletions	Balance 09/30/2020
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 2,638,734.02	\$	\$	\$ 2,638,734.02
Construction in Progress	37,600.00			37,600.00
Total Capital Assets, Not Being Depreciated	<u>2,676,334.02</u>			<u>2,676,334.02</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	27,998,043.86		(1,767,460.00)	26,230,583.86
Construction Equipment	4,150,328.82	29,100.00		4,179,428.82
Equipment and Furniture	10,484,062.24	1,869,741.90	(2,412,824.09)	9,940,980.05
Infrastructure	15,245,378.36			15,245,378.36
Total Capital Assets, Being Depreciated	<u>57,877,813.28</u>	<u>1,898,841.90</u>	<u>(4,180,284.09)</u>	<u>55,596,371.09</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(9,690,649.00)	(676,872.25)	397,678.50	(9,969,842.75)
Construction Equipment	(2,822,504.01)	(274,947.51)		(3,097,451.52)
Equipment and Furniture	(7,351,464.38)	(875,650.88)	1,649,525.92	(6,577,589.34)
Infrastructure	(2,760,192.76)	(153,469.02)		(2,913,661.78)
Total Accumulated Depreciation	<u>(22,624,810.15)</u>	<u>(1,980,939.66)</u>	<u>2,047,204.42</u>	<u>(22,558,545.39)</u>
Total Capital Assets, Being Depreciated, Net	<u>35,253,003.13</u>	<u>(82,097.76)</u>	<u>(2,133,079.67)</u>	<u>33,037,825.70</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 37,929,337.15</u>	<u>\$ (82,097.76)</u>	<u>\$(2,133,079.67)</u>	<u>\$ 35,714,159.72</u>

	Balance 10/01/2019	Additions	Deletions	Balance 09/30/2020
<b>Fiduciary Funds:</b>				
<b>Capital Assets, Being Depreciated:</b>				
Equipment and Furniture	\$ 113,361.59	\$	\$	\$ 113,361.59
Total Capital Assets, Being Depreciated	<u>113,361.59</u>			<u>113,361.59</u>
<b>Less Accumulated Depreciation for:</b>				
Equipment and Furniture	(102,107.02)	(4,501.83)		(106,608.85)
Total Capital Assets, Being Depreciated, Net	<u>11,254.57</u>	<u>(4,501.83)</u>		<u>6,752.74</u>
Total Fiduciary Funds Capital Assets, Net	<u>\$ 11,254.57</u>	<u>\$(4,501.83)</u>	<u>\$</u>	<u>\$ 6,752.74</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2020**

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 694,794.87
Public Safety	549,504.03
Highway and Roads	622,184.64
Health	58,083.95
Culture/Recreation	56,372.17
Total Depreciation Expense – Governmental Activities	<u>\$1,980,939.66</u>

	Current Year Depreciation Expense
<u>Fiduciary Funds:</u>	
Depreciation	<u>\$4,501.83</u>

**Note 5 – Defined Benefit Pension Plan**

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

**Plan Description**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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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 county, city, 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active Members	55,222
Post-DROP participants who are still active service	98
Total	<u>93,986</u>

### Contributions

Tier 1 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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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, 2020, the Commission's active employee contribution rate was 5.45 percent of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 9.19 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2020, was 10.20% of pensionable pay for Tier 1 employees, and 7.32% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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 \$1,080,752.14 for the year ended September 30, 2020.

#### **B. Net Pension Liability**

The Commission's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018 rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward	
	Expected	Actual
(a) Total Pension Liability as of September 30, 2018	\$40,007,071	\$39,696,199
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for Period October 1, 2018 through September 30, 2019	913,481	913,481
(d) Transfers Among Employers		(9,614)
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 through September 30, 2019	(2,035,633)	(2,035,633)
(f) Total Pension Liability as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	\$41,887,092	\$41,542,669
(g) Difference between Expected and Actual		\$ (344,423)
(h) Less Liability Transferred for Immediate Recognition		(9,614)
(i) Experience (Gain)/Loss = (g) – (h)		\$ (334,809)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### Actuarial Assumptions

The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25 - 5.00%
Investment Rate of Return (*)	7.70%
(*) Net of pension plan investment expense, including inflation	

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 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 actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes on September 30, 2016, which became effective at the beginning of fiscal year 2016.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid 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%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

(\*) Net 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, 7.70%. 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, 2020***

**C. Changes in Net Pension Liability**

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2018	\$40,007,071	\$31,575,503	\$ 8,431,568
Changes for the Year:			
Service cost	913,481		913,481
Interest	3,002,173		3,002,173
Changes in assumptions			
Differences between expected and actual experience	(334,809)		(334,809)
Contributions – employer		1,093,465	(1,093,465)
Contributions – employee		632,853	(632,853)
Net investment income		806,703	(806,703)
Benefit payments, including refunds of employee contributions	(2,035,633)	(2,035,633)	
Administrative expense			
Transfers among employers	(9,614)	(9,614)	
Net Changes	1,535,598	487,774	1,047,824
Balances at September 30, 2019	\$41,542,669	\$32,063,277	\$ 9,479,392

**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 7.70%, 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 (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Commission’s Net Pension Liability	\$14,305,956	\$9,479,392	\$5,397,654

**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, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor’s report dated August 27, 2020 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

For the year ended September 30, 2020, the Commission recognized pension expense of \$1,061,539. At September 30, 2020, 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	\$ 164,334.00	\$1,317,766.00
Changes of assumptions	539,904.00	
Net difference between projected and actual earnings on pension plan investments	393,144.00	
Employer contributions subsequent to the measurement date	1,080,752.14	
Total	\$2,178,134.14	\$1,317,766.00

The \$1,080,752.14 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other 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, 2021	\$(131,001)
2022	\$(100,768)
2023	\$ (13,992)
2024	\$ 98,036
2025	\$ (72,659)
Thereafter	\$ 0

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**Note 6 – Other Postemployment Benefits (OPEB)**

**A. General Information about OPEB**

**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.***

**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 by the Commission. Medical, drug, and vision benefits are offered for pre-Medicare retirees. For fiscal year 2020, the Commission contributed approximately \$387,466.31 to cover approximately 27 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**

At September 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive members entitled to but not yet receiving benefits	
Active Employees	270
Total Membership	<u>293</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**B. Total OPEB Liability**

The Commission's total OPEB liability of \$12,430,477 as of reporting date September 30, 2020, was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date based on the census information, benefit schedules and costs from the September 30, 2018, actuarial valuation.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the September 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary Increases, including wage inflation	3.25 – 5.00%
Discount Rate	2.66%
Healthcare Cost Trend Rates	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

The discount rate was based on the average of the Bond Buyer 20-year General Obligation municipal bond index published at the last Thursday of September by the Bond Buyer.

Mortality rates were based on the RP-2000 Employee Mortality Table projected with Scall BB to 2020 with an adjustment factor of 70% for males and 50% for females. Post-retirement mortality rates were based 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, 2018, valuation were based on the actuarial experience study for the period October 1, 2010 through September 30, 2015, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 29, 2016.

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, 2018, valuation were based on a review of recent plan experience performed concurrently with the September 30, 2018, valuation.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.66%. Since the prior measurement date, the discount rate has changed from 4.18% to 2.66% due to a change in the Municipal Bond Rate.

**Changes in the Total OPEB Liability (TOL)**

Total OPEB Liability as of September 30, 2018	\$10,539,826
Changes for the Year:	
Service Cost at the end of the year	396,215
Interest on TOL and Cash Flows	431,468
Difference between expected and actual experience	2,803
Changes of assumptions or other inputs	1,499,906
Benefit payments	(439,741)
Net Changes	<u>1,890,651</u>
Total OPEB Liability as of September 30, 2019	<u>\$12,430,477</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 (1.66%) or 1-percentage point higher (3.66%) than the current discount rate:

	1% Decrease (1.66%)	Current Discount (2.66%)	1% Increase (3.66%)
Total OPEB Liability	\$13,527,284	\$12,430,477	\$11,421,106

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

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current healthcare cost trend rates:

	1% Decrease (6.25%)	Current Trend (7.25%)	1% Increase (8.25%)
Total OPEB Liability	\$11,023,800	\$12,430,477	\$14,082,770

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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

For the year ended September 30, 2020, the Commission recognized OPEB expense of \$920,992 prior to recording the actual OPEB benefit amounts. At September 30, 2020, 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	\$ 20,953.00	\$233,621.00
Changes of assumptions or other inputs	1,275,705.00	329,061.00
Total	<u>\$1,296,658.00</u>	<u>\$562,682.00</u>

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

Measurement Period Ending:	
September 30, 2020	\$ 90,809.00
2021	\$ 90,809.00
2022	\$ 90,809.00
2023	\$116,680.00
2024	\$189,880.00
Thereafter	\$154,989.00

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **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. The St. Clair County Sheriff retired as of January 13, 2019. He is now receiving his monthly benefit.

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 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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In July 2011, the Commission issued General Obligation Warrants in the amount of \$4,000,000.00 by means of direct placement 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. In the event of default, both principal and accrued interest on this obligation shall bear interest after maturity or default at the rate equal to two percentages points (2.00% or 200 basis points) above the Prime Rate per annum. Upon the occurrence of an event of default, the owner shall have the right, without notice to the County, to accelerate the payment of the obligation and to declare the same immediately due and payable, and to declare this obligation in default.

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.

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.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

The following is a summary of long-term debt obligations for the Commission for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Warrants Payable:</b>					
2016 General Obligation Warrants	\$ 2,550,000.00	\$	\$ (735,000.00)	\$ 1,815,000.00	\$ 755,000.00
2015 General Obligation Warrants	9,610,000.00		(315,000.00)	9,295,000.00	325,000.00
2010 General Obligation Warrants	8,265,000.00		(500,000.00)	7,765,000.00	515,000.00
Total General Obligation Warrants	20,425,000.00		(1,550,000.00)	18,875,000.00	1,595,000.00
<b>Warrants from Direct Placement:</b>					
2011 General Obligation Warrants	4,000,000.00			4,000,000.00	
<b>Gasoline Tax Warrants:</b>					
2005 Gasoline Tax Warrants	305,000.00		(305,000.00)		
Total Warrants Payable	24,730,000.00		(1,855,000.00)	22,875,000.00	1,595,000.00
Plus: Unamortized Premium	720,858.80		(84,625.54)	636,233.26	84,625.54
Less: Unamortized Discount	(1,071.71)		1,071.71		
Total Warrants Payable, Net	25,449,787.09		(1,938,553.83)	23,511,233.26	1,679,625.54
<b>Other Liabilities:</b>					
Estimated Liability for					
Compensated Absences	3,058,452.49	162,811.73		3,221,264.22	
Net Pension Liability	8,431,568.00	1,047,824.00		9,479,392.00	
OPEB Liability	10,539,826.00	1,890,651.00		12,430,477.00	
Total Other Liabilities	22,029,846.49	3,101,286.73		25,131,133.22	
Total Long-Term Debt	\$47,479,633.58	\$3,101,286.73	\$(1,938,553.83)	\$48,642,366.48	\$1,679,625.54

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, 2020***

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

Fiscal Year Ending	General Obligation Warrants Payable		Total Principal and Interest Requirements
	Principal	Interest	
September 30, 2021	\$ 1,595,000.00	\$ 691,912.50	\$ 2,286,912.50
2022	5,775,000.00	633,987.50	6,408,987.50
2023	1,875,000.00	568,837.50	2,443,837.50
2024	1,970,000.00	501,425.00	2,471,425.00
2025	2,040,000.00	432,318.75	2,472,318.75
2026-2030	8,060,000.00	1,015,300.00	9,075,300.00
2031-2032	1,560,000.00	94,200.00	1,654,200.00
Total	<u>\$22,875,000.00</u>	<u>\$3,937,981.25</u>	<u>\$26,812,981.25</u>

**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. This was fully amortized during the fiscal year ended September 30, 2020.

The Commission has premiums in connection with the issuance of its 2011 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	\$ 963,977.75	\$27,098.15	\$1,112,166.55
Amount Amortized Prior Years	(321,325.92)	(26,026.44)	(391,307.75)
Balance – October 1, 2019	642,651.83	1,071.71	720,858.80
Current Year Amortized	(80,331.48)	(1,071.71)	(84,625.54)
Balance Deferred Loss on Refunding, Discount and Premium at September 30, 2020	<u>\$ 562,320.35</u>	<u>\$</u>	<u>\$ 636,233.26</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **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, 2020, the total of \$8,640,000.00 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.

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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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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
2017-2018	\$ 38,699.82	\$135,059.66	\$(193,892.41)	\$(20,132.93)
2018-2019	\$(20,132.93)	\$209,420.42	\$(189,287.49)	\$ 0.00
2019-2020	\$ 0.00	\$202,023.32	\$(161,814.13)	\$ 40,209.19

**Note 10 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables and payables at September 30, 2020, were as follows:

	Interfund Receivables General Fund	Totals
<b>Interfund Payables:</b>		
Other Governmental Funds	\$194,159.50	\$194,159.50
Totals	\$194,159.50	\$194,159.50

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2020***

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**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	<u>Transfers Out</u> General Fund	Totals
<u>Transfers In:</u>		
Gasoline Tax Fund	\$1,075,000.00	\$1,075,000.00
Other Governmental Funds	1,952,751.47	1,952,751.47
Totals	<u>\$3,027,751.47</u>	<u>\$3,027,751.47</u>

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **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 \$2,547,651.87 was outstanding at September 30, 2020. Of this amount, \$143,975.99 is due and payable in the next year.

Pursuant a Development Agreement entered into by the Commission, 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 St. Clair Health Care Authority must be paid to the Commission to enable the Commission to make debt service payments on the General Obligation Warrants, Series 2010. A total of \$9,960,000.00 was outstanding at September 30, 2020.

#### **Note 13 – Subsequent Events**

On September 14, 2021, the Commission awarded contracts totaling \$25,348,870.00 for the construction of a new St. Clair County Jail.

On December 9, 2021, the St. Clair County Public Building Authority issued Building Revenue Warrants, Series 2021-A totaling \$25,335,000.00 for the purpose of financing the costs of acquiring, constructing and equipping certain public facilities which will be leased to the County.

#### **Note 14 – Restatement**

The beginning net position has been restated to correct prior year errors in notes receivable.

The impact of the restatement on the net position as previously reported is as follows:

	Governmental Activities
Net Position – September 30, 2019, as Previously Reported	\$13,837,773.51
Effect of prior period adjustment due to notes receivable	10,790,000.00
Net Position – September 30, 2019, as Restated	\$24,627,773.51

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*Required Supplementary Information*

**Schedule of Changes in the Employer's Net Position Liability**  
**For the Year Ended September 30, 2020**

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 913,481.00	\$ 862,496.00	\$ 860,341.00	\$ 867,265.00	\$ 806,990.00	\$ 767,044.00
Interest	3,002,173.00	2,978,679.00	2,871,260.00	2,707,513.00	2,534,604.00	2,423,991.00
Differences between expected and actual experience	(334,809.00)	(1,239,042.00)	(411,923.00)	255,050.00	484,002.00	
Changes of Assumptions		210,402.00		1,123,006.00		
Benefit payments, including refunds of employee contributions	(2,035,633.00)	(2,009,655.00)	(1,609,339.00)	(1,720,553.00)	(1,607,908.00)	(2,008,857.00)
Transfers among employers	(9,614.00)	(235,210.00)	(124,118.00)	(83,288.00)		
Net change in total pension liability	1,535,598.00	567,670.00	1,586,221.00	3,148,993.00	2,217,688.00	1,182,178.00
Total pension liability - beginning	40,007,071.00	39,439,401.00	37,853,180.00	34,704,187.00	32,486,499.00	31,304,321.00
Total pension liability - ending (a)	\$ 41,542,669.00	\$ 40,007,071.00	\$ 39,439,401.00	\$ 37,853,180.00	\$ 34,704,187.00	\$ 32,486,499.00
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 1,093,465.00	\$ 1,038,754.00	\$ 1,071,748.00	\$ 1,164,262.00	\$ 1,064,205.00	\$ 1,024,626.00
Contributions - employee	632,853.00	587,228.00	593,987.00	562,071.00	526,722.00	496,892.00
Net investment income	806,703.00	2,700,902.00	3,351,566.00	2,426,095.00	279,088.00	2,544,953.00
Benefit payments, including refunds of employee contributions	(2,035,633.00)	(2,009,655.00)	(1,609,339.00)	(1,720,553.00)	(1,607,908.00)	(2,008,857.00)
Other (Transfers among employers)	(9,614.00)	(235,210.00)	(124,118.00)	(83,288.00)	132,148.00	(89,880.00)
Net change in plan fiduciary net position	487,774.00	2,082,019.00	3,283,844.00	2,348,587.00	394,255.00	1,967,734.00
Plan fiduciary net position - beginning	31,575,503.00	29,493,484.00	26,209,640.00	23,861,053.00	23,466,798.00	21,499,064.00
Plan fiduciary net position - ending (b)	\$ 32,063,277.00	\$ 31,575,503.00	\$ 29,493,484.00	\$ 26,209,640.00	\$ 23,861,053.00	\$ 23,466,798.00
Net pension liability - ending (a) - (b)	\$ 9,479,392.00	\$ 8,431,568.00	\$ 9,945,917.00	\$ 11,643,540.00	\$ 10,843,134.00	\$ 9,019,701.00
Plan fiduciary net position as a percentage of the total pension liability	77.18%	78.92%	74.78%	69.24%	68.76%	72.24%
Covered payroll (*)	\$ 11,365,478.00	\$ 10,798,114.00	\$ 10,349,897.00	\$ 9,878,438.00	\$ 9,895,953.00	\$ 9,343,630.00
Net pension liability as a percentage of covered payroll	83.41%	78.08%	96.10%	117.87%	109.57%	96.53%

(\*) Employer's covered payroll during the measurement period is the total covered payroll.  
For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019.  
GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for fiscal year 2017.

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

***Schedule of the Employer's Contributions - Pension***  
***For the Year Ended September 30, 2020***

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 1,080,752.14	\$ 1,093,465.00	\$ 1,038,754.00	\$ 1,071,478.00	\$ 1,164,262.00	\$ 1,064,205.00	\$ 1,024,626.00
Contributions in relation to the actuarially determined contribution (*)	\$ 1,080,752.14	\$ 1,093,465.00	\$ 1,038,754.00	\$ 1,071,748.00	\$ 1,164,262.00	\$ 1,064,205.00	\$ 1,024,626.00
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 11,762,324.17	\$ 11,365,478.00	\$ 10,798,114.00	\$ 10,349,897.00	\$ 9,878,438.00	\$ 9,895,953.00	\$ 9,343,630.00
Contributions as a percentage of covered payroll	9.19%	9.62%	9.62%	10.36%	11.79%	10.75%	10.97%

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

(\*\*) Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	21.8 years
Asset valuation method	Five year smoothed market
Inflation	2.750%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

***Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability  
For the Year Ended September 30, 2020***

	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost at end of year	\$ 396,215.00	\$ 448,402.00	\$ 489,723.00
Interest	431,468.00	366,864.00	305,612.00
Differences between expected and actual experience	2,803.00	(333,247.00)	33,668.00
Changes of assumptions or other inputs	1,499,906.00	(3,587.00)	(592,031.00)
Benefit payments	(439,741.00)	(426,088.00)	(357,261.00)
Net change in total OPEB liability	1,890,651.00	52,344.00	(120,289.00)
Total OPEB Liability - Beginning	10,539,826.00	10,487,482.00	10,607,771.00
Total OPEB Liability - Ending	<u>\$ 12,430,477.00</u>	<u>\$ 10,539,826.00</u>	<u>\$ 10,487,482.00</u>
Covered-employee payroll	\$ 11,042,635.00	\$ 11,042,635.00	\$ 10,713,026.00
Total OPEB liability as a percentage of covered-employee payroll	112.57%	95.45%	97.89%

**Notes to Schedule:**

**Benefit Changes** . There were no changes of benefit terms for the year ended September 30, 2020.

**Changes in Assumptions** . The discount rate as of September 30, 2018 was 4.18% and it changed to 2.66% as of September 30, 2019.

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, 2020***

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contribution (*)	\$ 387,466.31	\$ 439,741.00	\$ 408,981.00
Contributions in relation to the actuarially determined contribution	<u>\$ 387,466.31</u>	<u>\$ 439,741.00</u>	<u>\$ 408,981.00</u>
Contribution deficiency (excess)	\$	\$	\$
Covered employee payroll	\$ 11,762,324.17	\$ 11,042,635.00	\$ 11,042,635.00
Contributions as a percentage of covered employee payroll	3.29%	3.98%	3.70%

(\*) There were no actuarially determined contributions. Amounts reported are the premium payments made during the fiscal year.

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, 2020***

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Taxes	\$ 16,323,283.09	\$ 16,323,283.09	\$ 17,772,212.53	(1) (2)	\$ 2,869,016.61	\$ 20,641,229.14
Licenses and Permits	143,505.00	143,505.00	163,144.75			163,144.75
Intergovernmental	1,334,689.00	1,377,810.87	3,597,692.50	(2)	25,855.65	3,623,548.15
Charges for Services	3,170,265.00	3,170,265.00	3,897,196.01			3,897,196.01
Miscellaneous	352,512.37	371,073.49	400,367.45	(2)	9,869.05	410,236.50
Total Revenues	<u>21,324,254.46</u>	<u>21,385,937.45</u>	<u>25,830,613.24</u>		<u>2,904,741.31</u>	<u>28,735,354.55</u>
<b>Expenditures</b>						
Current:						
General Government	7,316,888.40	7,552,191.35	7,292,549.24	(3)	(37,288.01)	7,329,837.25
Public Safety	11,421,571.47	12,102,543.62	11,098,421.74			11,098,421.74
Highways and Roads				(3)	(5,000.00)	5,000.00
Sanitation	911,515.00	911,515.00	835,549.00			835,549.00
Health	161,520.00	161,520.00	144,734.12			144,734.12
Welfare	76,661.00	76,661.00	76,011.00			76,011.00
Culture and Recreation	189,031.42	203,460.59	201,517.31			201,517.31
Education	159,696.00	163,696.86	138,474.44			138,474.44
Capital Outlay	1,493,036.16	1,572,165.09	293,478.93	(3)	(445,145.00)	738,623.93
Intergovernmental	165,314.75	268,597.75	246,652.55			246,652.55
Debt Service:						
Interest and Fiscal Charges	2,257.50	2,257.50	1,100.00			1,100.00
Total Expenditures	<u>21,897,491.70</u>	<u>23,014,608.76</u>	<u>20,328,488.33</u>		<u>(487,433.01)</u>	<u>20,815,921.34</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(573,237.24)</u>	<u>(1,628,671.31)</u>	<u>5,502,124.91</u>		<u>2,417,308.30</u>	<u>7,919,433.21</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	2,097,995.50	2,116,807.50				
Sale of Capital Assets	413,000.00	413,000.00	27,316.00	(4)	422,911.70	450,227.70
Transfers Out	(2,244,133.54)	(2,262,945.54)	(1,547,330.56)	(4)	(1,480,420.91)	(3,027,751.47)
Total Other Financing Sources (Uses)	<u>266,861.96</u>	<u>266,861.96</u>	<u>(1,520,014.56)</u>		<u>(1,057,509.21)</u>	<u>(2,577,523.77)</u>
Net Change in Fund Balances	(306,375.28)	(1,361,809.35)	3,982,110.35		1,359,799.09	5,341,909.44
Fund Balances - Beginning of Year	<u>5,485,768.51</u>	<u>5,338,966.10</u>	<u>9,784,053.76</u>	(5)	<u>3,622,295.82</u>	<u>13,406,349.58</u>
Fund Balances - End of Year	<u>\$ 5,179,393.23</u>	<u>\$ 3,977,156.75</u>	<u>\$ 13,766,164.11</u>		<u>\$ 4,982,094.91</u>	<u>\$ 18,748,259.02</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2020***

**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. \$ (13,372.79)

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

(2) Revenues:		
Public Building, Roads and Bridges Fund - Taxes	\$ 2,889,097.88	
Public Building, Roads and Bridges Fund - Motor Vehicle Ad Valorem Taxes	(6,708.48)	
Public Building, Roads and Bridges Fund - Intergovernmental	25,855.65	
Public Building, Roads and Bridges Fund - Miscellaneous	<u>9,869.05</u>	2,918,114.10
(3) Expenditures:		
Public Building, Roads and Bridges Fund - General Government	\$ (37,288.01)	
Public Building, Roads and Bridges Fund - Highways and Roads	(5,000.00)	
Public Building, Roads and Bridges Fund - Capital Outlay	<u>(445,145.00)</u>	(487,433.01)
(4) Other Financing Sources/(Uses), Net:		
Public Buildings, Roads and Bridges Fund - Sale of Capital Assets	\$ 422,911.70	
Public Buildings, Roads and Bridges Fund - Transfers Out	<u>(1,480,420.91)</u>	<u>(1,057,509.21)</u>
Net Increase in Fund Balance - Budget to GAAP		<u><u>\$ 1,359,799.09</u></u>

(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.

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Gasoline Tax Fund***  
***For the Year Ended September 30, 2020***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Intergovernmental	\$ 1,637,852.00	\$ 1,663,549.10	\$ 1,586,083.16	(1) \$ 355,654.99	\$ 1,941,738.15
Charges for Services	30,000.00	108,195.22	108,195.22		108,195.22
Miscellaneous	2,410,826.00	2,529,278.97	518,616.38	(1) 112.85	518,729.23
Total Revenues	4,078,678.00	4,301,023.29	2,212,894.76	355,767.84	2,568,662.60
<b>Expenditures</b>					
Current:					
Highways and Roads	4,785,517.05	4,794,528.05	3,704,231.46		3,704,231.46
Capital Outlay	186,000.00	182,500.00	169,840.07		169,840.07
Total Expenditures	4,971,517.05	4,977,028.05	3,874,071.53		3,874,071.53
Excess (Deficiency) of Revenues Over Expenditures	(892,839.05)	(676,004.76)	(1,661,176.77)	355,767.84	(1,305,408.93)
<b>Other Financing Sources (Uses)</b>					
Transfers In	2,124,429.00	2,124,429.00	1,433,172.00	(2) (358,172.00)	1,075,000.00
Sale of Capital Assets			2,200.00		2,200.00
Total Other Financing Sources (Uses)	2,124,429.00	2,124,429.00	1,435,372.00	(358,172.00)	1,077,200.00
Net Change in Fund Balances	1,231,589.95	1,448,424.24	(225,804.77)	(2,404.16)	(228,208.93)
Fund Balances - Beginning of Year	411,327.68	313,670.84	560,505.43	(3) 77,584.08	638,089.51
Fund Balances - End of Year	\$ 1,642,917.63	\$ 1,762,095.08	\$ 334,700.66	\$ 75,179.92	\$ 409,880.58

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2020***

**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:			
Public Highway and Traffic Fund - Intergovernmental	\$	298,255.16	
Public Highway and Traffic Fund - Miscellaneous		68.83	
Severed Material Tax Fund - Intergovernmental		57,399.83	
Severed Material Tax Fund - Miscellaneous		<u>44.02</u>	\$ 355,767.84
(2) Other Financing Sources (NET)			
Public Highway and Traffic Fund	\$	(305,552.00)	
Severed Material Tax Fund		<u>(52,620.00)</u>	<u>(358,172.00)</u>
Net Decrease in Fund Balance - Budget to GAAP			<u>\$ (2,404.16)</u>

(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.

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Local County Road Fund***  
***For the Year Ended September 30, 2020***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 3,600,000.00	\$ 3,600,000.00	\$ 3,374,946.33	\$	\$ 3,374,946.33
Miscellaneous	1,600.00	1,600.00	3,795.19		3,795.19
Total Revenues	3,601,600.00	3,601,600.00	3,378,741.52		3,378,741.52
<b>Expenditures</b>					
Current:					
Highways and Roads	2,675,000.00	5,265,998.28	2,839,039.00		2,839,039.00
Capital Outlay	544,652.00	729,252.00	716,929.00		716,929.00
Total Expenditures	3,219,652.00	5,995,250.28	3,555,968.00		3,555,968.00
Excess (Deficiency) of Revenues Over Expenditures	381,948.00	(2,393,650.28)	(177,226.48)		(177,226.48)
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	413,000.00	413,000.00	430,590.00		430,590.00
Transfers Out	(270,072.02)	(270,072.02)			
Total Other Financing Sources (Uses)	142,927.98	142,927.98	430,590.00		430,590.00
Net Change in Fund Balances	524,875.98	(2,250,722.30)	253,363.52		253,363.52
Fund Balances - Beginning of Year	384,243.36	2,775,598.28	2,775,598.28		2,775,598.28
Fund Balances - End of Year	\$ 909,119.34	\$ 524,875.98	\$ 3,028,961.80	\$	\$ 3,028,961.80

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Reappraisal Fund  
For the Year Ended September 30, 2020***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 1,633,599.83	\$ 1,633,599.83	\$ 1,471,872.50		\$ 1,471,872.50
Miscellaneous	6,300.00	7,241.88	13,157.05		13,157.05
Total Revenues	1,639,899.83	1,640,841.71	1,485,029.55		1,485,029.55
<b>Expenditures</b>					
Current:					
General Government	1,608,399.83	1,610,085.71	1,485,029.55		1,485,029.55
Capital Outlay	31,500.00	30,756.00			
Total Expenditures	1,639,899.83	1,640,841.71	1,485,029.55		1,485,029.55
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$	\$	\$	\$	\$

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Justice</u></b>			
<b><u>Direct Programs</u></b>			
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0734	\$ 50,836.00
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0901	16,544.00
Total U. S. Department of Justice			<u>67,380.00</u>
<b><u>U. S. Department of Transportation</u></b>			
<b><u>Passed Through Alabama Department of Transportation</u></b>			
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	327,300.00
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	176,143.00
Sub-Total Formula Grants for Rural Areas and Tribal Transit Program			<u>503,443.00</u>
<b><u>Passed Through Alabama Department of Senior Services</u></b>			
Job Access and Reverse Commute Program	20.516	N/A	4,450.00
Total U. S. Department of Transportation			<u>507,893.00</u>
<b><u>U. S. Department of the Treasury</u></b>			
<b><u>Passed Through Alabama Department of Finance</u></b>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	1,546,001.23
<b><u>U. S. Election Assistance Commission</u></b>			
<b><u>Passed Through Alabama Secretary of State</u></b>			
COVID-19 2020 Supplemental COVID-19 Election Security Grants	90.404	N/A	18,335.00
<b><u>U. S. Department of Health and Human Services</u></b>			
<b><u>Pass Through the Alabama Department of Public Health</u></b>			
Public Health Emergency Preparedness	93.069	CEP-20-PVO-20	20,102.34
<b><u>U. S. Department of Homeland Security</u></b>			
<b><u>Passed Through Alabama Emergency Management Agency</u></b>			
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4503-27-PA-AL	10,265.28
Emergency Management Performance Grants	97.042	19EMF	41,325.00
Total U. S. Department of Homeland Security			<u>51,590.28</u>
<b><u>Federal Bureau of Investigation</u></b>			
<b><u>Direct Program</u></b>			
North Alabama Safe Streets Task Force	N/A	281D-BH-C53449-MOU	3,746.64
Total Expenditures of Federal Awards			<u>\$ 2,215,048.49</u>

N/A = Not Available or Not Applicable

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

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2020***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the St. Clair County Commission (the “Commission”) under programs of the federal government for the year ended September 30, 2020. 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*.

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*Additional Information*



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

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**Independent Auditor's Report**

Members of the 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 (the "Commission"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 17, 2022.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we considered to be a significant deficiency.

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

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**Compliance and Other Matters**

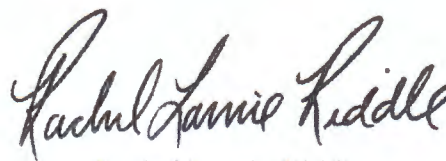
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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***.

**Commission's Response to the Finding**

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

**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

March 17, 2022

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

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***Independent Auditor's Report***

Members of the 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 County Commission's major federal program for the year ended September 30, 2020. The St. Clair County Commission's major federal program was identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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## ***Opinion on 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 programs for the year ended September 30, 2020.

## ***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 a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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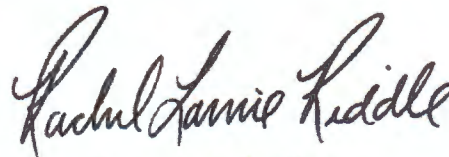
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***Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required  
by the Uniform Guidance***

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



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

March 17, 2022

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2020***

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

**Financial Statements**

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

  X   Yes    \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major federal 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 federal 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 federal programs:

CFDA Number	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2020***

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

**Reference Number:** 2020-001  
**Type of Finding:** Internal Control  
**Internal Control Impact:** Significant Deficiency  
**Compliance Impact:** None

The Commission failed to report all notes receivable.

**Finding**

Generally accepted accounting principles require the government-wide financial statements to be prepared using the economic resources measurement focus and accrual basis of accounting. This means that revenues are recorded when earned regardless of the timing of related cash flows. The Commission issued general obligation warrants to provide a portion of the cost of the construction and development of a hospital facility to be owned by the St. Clair County Health Care Authority (the “Authority”). Pursuant to the St. Clair County Healthcare Development Agreement (the “Agreement”), the Authority was required to remit all rents it collects to the Commission in order to enable the Commission to make debt service payments on the warrants. The Commission did not record the amounts to be received pursuant to the Agreement as a receivable on the financial statements. As a result, receivable and net position balances were materially misstated; however, when this matter was brought to the Commission’s attention, the Commission made the necessary adjustments to correct the material misstatements in the financial statements. The Commission did not have internal controls in place to ensure all receivables and related transactions were recorded in the financial statements, or to detect misstatements of the financial statements.

**Recommendation**

Procedures should be in place to ensure all amounts expected to be received are properly recorded in the financial statements.

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## *Schedule of Findings and Questioned Costs*

### *For the Year Ended September 30, 2020*

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#### **Views of Responsible Officials of the Auditee**

The County Commission has and will continue in future years to make the adjustment as stated above as it seeks to comply with all governmental accounting principles and regulations as interpreted by the Alabama Department of Public Examiners. Because there is no contract in place between the lease paying entity (St. Vincent's St. Clair) and the County Commission, the lease payments themselves were viewed as an indirect source of revenue to the Commission. The Commission has no legal recourse against the lease paying entity (or any other entity) should said lease payments not be made. Due to the legal uncertainty of the revenue source, the Commission's office did not believe representing that revenue source as a "receivable" was as accurate as showing it as a present year revenue. The Commission's interpretation was a more conservative approach in an attempt not to overstate its financial position. The Commission takes exception to the statement it failed to have adequate internal controls in place; rather, its internal controls came to a more conservative conclusion they felt better represented the revenue source from St. Vincent's St. Clair given the fact no legal obligation exists between St. Vincent's St. Clair and the County Commission necessitating the lease payments at issue.

#### **Auditor's Response**

We appreciate the Commission's response. However, our audit position remains that the St. Clair Healthcare Development Agreement provides for the long-term remittance of rents received by the St. Clair Healthcare Authority to the Commission, which should therefore be recorded as a receivable by the Commission. We reaffirm our finding.

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

No matters were reportable.

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*Auditee Response/Corrective Action Plan*



**St. Clair County**  
ALABAMA



**Paul Manning**  
Chairman

**St. Clair County Commission**  
165 5th Avenue Suite 100  
Ashville, Alabama 35953  
(205) 594-2100  
Fax (205) 594-2110

**Jeff Brown**  
**Ricky Parker**  
**Tommy Bowers**  
**Bob Mize**  
Associate Members

**Tina Morgan**  
Administrator/Treasurer

**Auditee Response/Corrective Action Plan**  
*For the Year Ended September 30, 2020*

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the St. Clair County Commission has prepared and hereby submits the following Corrective Action Plan for the findings which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2020.

<b>Finding Ref. No.</b>	<b>Corrective Action Plan Details</b>
<b>2020-001</b>	<p><b>Finding:</b> Generally accepted accounting principles require the government-wide financial statements to be prepared using the economic resources measurement focus and accrual basis of accounting. This means that revenues are recorded when earned regardless of the timing of related cash flows. In a prior year, the Commission issued general obligation warrants to provide a portion of the cost of the construction and development of a hospital facility to be owned by the St. Clair County Health Care Authority (the "Authority"). Pursuant to the St. Clair County Healthcare Development Agreement (the "Agreement"), the Authority was required to remit all rents it collects to the Commission in order to enable the Commission to make debt service payments on the warrants. The Commission did not record the amounts to be received pursuant to the Agreement as a receivable on the financial statements. As a result, receivable and net position balances were materially misstated; however, when this matter was brought to the Commission's attention, the Commission made the necessary adjustments to correct the material misstatements in the financial statements. The Commission did not have internal controls in place to ensure all receivables and related transactions were recorded in the financial statements, or to detect misstatements of the financial statements.</p> <p><b>Recommendation:</b> Procedures should be in place to ensure all amounts expected to be received are properly recorded in the financial statements.</p> <p><b>Response/Views:</b> The County Commission has and will continue in future years to make the adjustment as stated above as it seeks to comply with all governmental accounting principles and regulations as interpreted by the Alabama Department of Public Examiners. Because there is no contract in place between the lease paying entity (St. Vincent's St. Clair) and the County Commission, the lease payments themselves were viewed as an indirect source of revenue to the</p>

Commission.<sup>1</sup> The Commission has no legal recourse against the lease paying entity (or any other entity) should said lease payments not be made. Due to the legal uncertainty of the revenue source, the Commission's office did not believe representing that revenue source as a "receivable" was as accurate as showing it as a present year revenue. The Commission's interpretation was a more conservative approach in an attempt not to overstate its financial position. The Commission takes exception to the statement it failed to have adequate internal controls in place; rather, its internal controls came to a more conservative conclusion that they felt better represented the revenue source from St. Vincent's St. Clair given the fact no legal obligation exists between St. Vincent's St. Clair and the County Commission necessitating the lease payments at issue.

**Corrective Action Planned:** We will begin showing the obligation of St. Vincent's to the Health Care Authority (which has an obligation to deliver all collected rent to the Commission) as a receivable of the County Commission.

**Anticipated Completion Date:** February 2022.

**Contact Person(s) :** Michelle Layfield, CFO and Tina Morgan, Administrator

  
\_\_\_\_\_

Chairman, St. Clair County Commission

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<sup>1</sup> The lease is between St. Vincent's St. Clair and the St. Clair County Healthcare Authority.