



# Alabama Department of Examiners of Public Accounts

## *Report on the* **Lawrence County Commission** **Lawrence County, Alabama**

October 1, 2022 through September 30, 2023

Filed: January 24, 2025

AUDEMUS JURA NOSTRA DEFENDERE  
ALABAMA STATE HOUSE

*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

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

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

Dear Madam:

An audit was conducted on the Lawrence County Commission, Lawrence County, Alabama, for the period October 1, 2022 through September 30, 2023, by Examiners Julia Wells and Thomas Strawn. I, Thomas Strawn, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Thomas Strawn'. The signature is written in a cursive style with a large initial 'T'.

Thomas Strawn  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Lawrence County Commission  
October 1, 2022 through September 30, 2023**

The Lawrence County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Lawrence County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 21. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Lawrence County.

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

An unmodified opinion was issued on the 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, 2023.

**AUDIT FINDING**

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

- ◆ 2023-001: The Commission failed to properly record all financial transactions.

**EXIT CONFERENCE**

Commission members and administrative personnel, as reflected on Exhibit 21, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Heather Rose, County Administrator; and Commissioners: Norman Pool and Bobby Burch. Representing the Department of Examiners of Public Accounts were Denise H. Olive, Audit Manager; Thomas Strawn, Examiner; and Julia Wells, Examiner.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawrence County Commission, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Lawrence County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawrence County Commission, as of September 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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 (***Government Auditing Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lawrence County Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lawrence County Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and **Government Auditing Standards** will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and **Government Auditing Standards**, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit 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 Lawrence County Commission's internal control. Accordingly, no such opinion is expressed.
- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lawrence County Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 19), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawrence County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 20), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of the Lawrence 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 Lawrence County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lawrence County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

December 16, 2024

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

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

This discussion and analysis provides an overview of the financial position of the Lawrence County Commission for the fiscal year ended September 30, 2023, with comparative data for the fiscal year ended September 30, 2022. Please read it in conjunction with the County's basic financial statements which follow this section.

### **FINANCIAL HIGHLIGHTS**

- ◆ The County's net position increased by \$3,205,499.61 as a result of the current year's operations. Net position of governmental activities increased by \$3,202,980.73 and the net position for business-type activities increased by \$2,518.88.
- ◆ The County's governmental fund type balances increased by \$8,244,076.22.
- ◆ Total revenues from all sources were \$26,199,195.96 while total costs of all programs were \$22,993,696.35.

### **REPORT LAYOUT**

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

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

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

## Government-Wide Financial Statements

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

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

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

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

- ◆ ***Governmental Activities*** – Most of the County's basic services are reported here, including general government, public safety, highways and roads, health and welfare, and culture and recreation. Property taxes, gasoline taxes, license and permits and charges for services finance most of these activities.
- ◆ ***Business-Type Activities*** – The County charges fees to customers to help it cover the cost of certain services it provides. The County's solid waste activities are reported in this category.

## Fund Financial Statements

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

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

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

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

## **Notes to the Financial Statements**

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

## **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

The following two tables (A-1 and A-2) present condensed information on the County’s Net Position and Changes in Net Position for the fiscal year ended September 30, 2023. Comparative information for the prior fiscal year is included.

As noted earlier, net position may serve over time as a useful indicator of the County’s financial position. In the County’s case, assets exceeded liabilities by \$27,155,630.41 at the close of the fiscal year.

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

**Table A-1  
NET POSITION  
(in thousands)**

	2022 Governmental Activities	2023 Governmental Activities	2022 Business-Type Activities	2023 Business-Type Activities	2022 Total	2023 Total
Current Assets and Other Assets	\$ 18,661	\$ 20,107	\$3,151	\$3,757	\$ 21,812	\$23,864
Noncurrent Assets	174	5,867			174	5,867
Capital Assets	28,859	29,305	2,259	2,691	31,118	31,996
<b>Total Assets</b>	<b>47,694</b>	<b>55,279</b>	<b>5,410</b>	<b>6,448</b>	<b>53,104</b>	<b>61,727</b>
Deferred Outflows of Resources	1,727	3,452	252	490	1,979	3,942
Current Liabilities	7,790	6,483	122	336	7,912	6,819
Noncurrent Liabilities	16,029	23,705	1,537	2,667	17,566	26,372
<b>Total Liabilities</b>	<b>23,819</b>	<b>30,188</b>	<b>1,659</b>	<b>3,003</b>	<b>25,478</b>	<b>33,191</b>
Deferred Inflows of Resources	5,312	5,050	342	272	5,654	5,322
Net Position:						
Net Investment in Capital Assets	17,698	13,097	2,259	2,691	19,957	15,788
Restricted for:						
Capital Projects	748	6,664			748	6,664
Road Projects	2,232	2,368			2,232	2,368
Other Purposes	2,246	3,976			2,246	3,976
Unrestricted	(2,634)	(2,612)	1,401	972	(1,233)	(1,640)
<b>Total Net Position</b>	<b>\$20,290</b>	<b>\$23,493</b>	<b>\$3,660</b>	<b>\$3,663</b>	<b>\$23,950</b>	<b>\$27,156</b>

**Table A-2**  
**Changes in Net Position**  
**For the Year Ended September 30, 2023**  
**(in thousands)**

	2022 Governmental Activities	2023 Governmental Activities	2022 Business-Type Activities	2023 Business-Type Activities	2022 Total	2023 Total
<b>Revenues</b>						
Program Revenues:						
Charges for Service	\$ 2,096	\$ 1,992	\$ 2,822	\$ 3,448	\$ 4,918	\$ 5,440
Operating Grants and Contributions	7,002	8,172			7,002	8,172
Capital Grants and Contributions	1,928	1,352			1,928	1,352
General Revenues:						
Property Taxes – General Purposes	2,411	2,803			2,411	2,803
Property Taxes – Specific Purposes	1,362	1,418			1,362	1,418
General Sales Tax	2,934	3,832			2,934	3,832
Miscellaneous Taxes	491	461			491	461
Interest Revenue	27	40	1	1	28	41
TVA In Lieu of Taxes	757	692			757	692
Insurance Reimbursement	84	274	7		91	274
Rental Income	253	227	17	6	270	233
Gain on Disposition of Capital Assets	25				25	
Miscellaneous Revenue	1,092	1,475	5	5	1,097	1,480
Transfers In (Out)						
<b>Total Revenues</b>	<b>20,462</b>	<b>22,738</b>	<b>2,852</b>	<b>3,460</b>	<b>23,314</b>	<b>26,198</b>
<b>Expenditures/Expenses</b>						
General Government	5,553	5,527			5,553	5,527
Public Safety	5,991	6,351			5,991	6,351
Highways and Roads	6,468	6,240			6,468	6,240
Sanitation	39	41	2,715	3,458	2,754	3,499
Health	66	115			66	115
Welfare	385	320			385	320
Culture and Recreation	261	386			261	386
Education	35	29			35	29
Interest and Fiscal Charges	514	526			514	526
<b>Total Expenditures/Expenses</b>	<b>19,312</b>	<b>19,535</b>	<b>2,715</b>	<b>3,458</b>	<b>22,027</b>	<b>22,993</b>
Increase (Decrease) in Net Position	1,150	3,203	137	2	1,287	3,205
Net Position – Beginning of Year	19,140	20,290	3,523	3,660	22,663	23,950
Net Position – End of Year	<b>\$20,290</b>	<b>\$23,493</b>	<b>\$3,660</b>	<b>\$3,662</b>	<b>\$23,950</b>	<b>\$27,155</b>

The County's total revenues were approximately \$26.2 million. Approximately 16.5% of the County's revenue comes from property taxes and 15% comes from sales taxes. Another 21% comes from fees charged for services and the majority of the remainder is state and federal aid.

The total cost of all programs and services (excluding transfers) were approximately \$23 million. The County's expenses cover a range of services. The majority of the expenses related to general government (23.6%), public safety (30%) and highways and roads (26%).

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

The cost of all governmental activities this year was \$19.54 million. However, the net cost to taxpayers for these activities was \$8.02 million. Some of the costs were paid by (1) those that directly benefited from the programs (\$2.1 million) or (2) other governments and organizations that subsidized certain programs with grants and contributions (\$9.5 million). The County paid for the \$9.4 million “public benefit” portion with property taxes, sales taxes, TVA in Lieu of taxes, investment earnings and other miscellaneous revenues.

**Table A-3**  
**Net Cost of Governmental Activities**  
**September 30, 2023**  
**(in thousands)**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General Government	\$ 5,527	\$1,104
Public Safety	6,351	4,527
Highways and Roads	6,240	1,114
Sanitation	41	41
Health and Welfare	436	372
Culture and Recreation	386	305
Education	29	29
Other	526	526
Total	\$19,536	\$8,018

**Business-Type Activities:** The Solid Waste Fund is the county’s only business-type activity fund. The cost of the program is fully funded by Solid Waste Fees. In addition to household garbage pick-up fees collected, the County collects a \$1.00 per ton tipping fee from the owners of the landfill. This accounts for the \$548,707.78 operating income. Proprietary Fund statements are reflected in Exhibits #7 through #9.

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

At the close of the fiscal year, the Commission's governmental funds reported a combined fund balance of \$17,183,695.90. The County's major funds for 2023 were the General Fund, Gasoline Tax Fund, Reappraisal Fund, American Rescue Plan Act Fund and Construction Fund. The changes in fund balances for the major funds are reflected in Exhibit #5 and are highlighted as follows:

The General Fund had an ending fund balance of \$5,610,498.37.

The Gasoline Tax Fund had an ending fund balance of \$1,870,108.29.

The American Rescue Plan Act Fund had an ending fund balance of \$4,610.42

The Construction Fund had an ending fund balance of \$5,866,882.90.

### **General Fund Budgetary Highlights**

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

The General Fund statement reflecting original and final budgets, plus actual compared to final budget amounts is shown on Exhibit #16.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2023, the Lawrence County Commission had invested \$31.9 million (net of accumulated depreciation) in capital assets for its governmental and business-type activities. This investment in capital assets includes land, land improvements, infrastructure and infrastructure in progress, buildings and buildings under capital lease, equipment and vehicles, and equipment under capital lease.

**Table A-4  
Capital Assets**

	2022 Governmental Activities	2023 Governmental Activities	2022 Business-Type Activities	2023 Business-Type Activities
Land	\$ 1,208,789	\$ 1,208,789	\$ 93,172	\$ 93,172
Construction in Progress	590,099	1,431,089		
Total Capital Assets Not Being Depreciated	1,798,888	2,639,878	93,172	93,172
Capital Assets Being Depreciated:				
Infrastructure	26,188,233	26,188,233		
Land Improvements	188,998	198,904		
Buildings	16,540,560	16,597,397	362,828	368,478
Equipment and Vehicles	6,579,168	7,661,374	3,335,244	3,741,175
Accumulated Depreciation	(22,437,028)	(23,980,571)	(1,532,634)	(1,512,189)
Total	\$ 28,858,819	\$ 29,305,215	\$2,258,610	\$2,690,636

### Long-Term Debt

At September 30, 2023, as reflected on Exhibit 1, the County's outstanding debt for warrants payable was \$15,835,00.00 and for notes from direct borrowing was \$1,281,151.00. More detailed information about the County's long-term liabilities are presented in the notes to the financial statements.

**Table A-5  
Outstanding Debt**

	2022 Governmental Activities	2023 Governmental Activities	2022 Business-Type Activities	2023 Business-Type Activities
Warrants Payable	\$9,555,000	\$15,835,000	\$	\$
Notes from Direct Borrowing	1,404,759	318,356		962,795
Compensated Absences	192,481	237,374	24,928	39,469
Other Postemployment Benefits	4,671,932	3,832,986	680,877	544,572
Landfill Closure			703,324	681,471
Net Pension Liability	866,307	4,251,230	127,963	608,872
Total	\$16,690,479	\$24,474,946	1,537,092	\$2,837,179

## **Economic Factors and Next Year's Budget**

The County considers various economic factors in preparing the budget. Through the budget, the County Commission sets the direction of the county, allocates resources and establishes priorities. Lawrence County's main sources for revenues continue to be property taxes and sales taxes. Other sources of revenues to finance governmental operations come from fees and charges for services which include permits, licenses and court fees. With the departure of International Paper it is a continuing struggle to fund the services provided to our citizens. Budgets will have to be monitored to control expenditures and level funding will be necessary for the 2023 fiscal year.

The United States encountered a COVID-19 pandemic which adversely affected the nation. As a result of the pandemic, there was an impact on the Commission's revenues. Gasoline taxes decreased by \$98,209.61 in fiscal year 2023 as compared to the previous pre-COVID fiscal year FY2019. Additionally, the Commission incurred a significant increase in costs associated with the aftermath of COVID-19. Due to the impact and severity of the pandemic, the Commission anticipates that its financial operations will require further assistance from programs of the federal government.

## **Contacting the County's Financial Management**

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

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# *Basic Financial Statements*

**Statement of Net Position**  
**September 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 15,251,484.96	\$ 2,858,888.68	\$ 18,110,373.64
Investments	138,850.58	611,874.00	750,724.58
Accounts Receivables	150,422.51	285,924.51	436,347.02
Ad Valorem Taxes Receivable	2,872,732.75		2,872,732.75
Sales Taxes Receivable	663,658.71		663,658.71
TVA in Lieu of Taxes Receivable	68,903.31		68,903.31
Due from Other Governments	829,141.38		829,141.38
Inventories	131,870.83		131,870.83
Total Current Assets	20,107,065.03	3,756,687.19	23,863,752.22
<b>Noncurrent Assets</b>			
Cash with Fiscal Agent	5,866,882.90		5,866,882.90
Capital Assets (Note 5):			
Nondepreciable	2,639,878.96	93,172.00	2,733,050.96
Depreciable, Net	26,665,336.50	2,597,464.55	29,262,801.05
Total Noncurrent Assets	35,172,098.36	2,690,636.55	37,862,734.91
Total Assets	55,279,163.39	6,447,323.74	61,726,487.13
<b>Deferred Outflow of Resources</b>			
Employer Pension Contributions	301,045.49	42,770.74	343,816.23
Deferred Outflows Related to Net Pension Liability	2,614,426.02	371,441.98	2,985,868.00
Employer Other Postemployment Benefits (OPEB) Contributions	150,003.41	21,311.59	171,315.00
Deferred Outflows Related to Other Postemployment Benefits (OPEB)	386,637.82	54,931.18	441,569.00
Total Deferred Outflow of Resources	3,452,112.74	490,455.49	3,942,568.23
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	648,852.68	123,715.28	772,567.96
Accrued Interest Payable	54,721.40		54,721.40
Accrued Wages Payable	259,782.66	41,727.50	301,510.16
Unearned Revenue	4,750,184.43		4,750,184.43
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Warrants Payable	645,000.00		645,000.00
Notes from Direct Borrowing	124,743.00	170,286.08	295,029.08
Total Current Liabilities	\$ 6,483,284.17	\$ 335,728.86	\$ 6,819,013.03

**Statement of Net Position**  
**September 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>Noncurrent Liabilities</b>			
Portion Due or Payable After One Year:			
Warrants Payable	\$ 15,190,000.00	\$	\$ 15,190,000.00
Notes from Direct Borrowing	193,613.38	792,508.76	986,122.14
Estimated Liability for Compensated Absences	237,373.87	39,469.60	276,843.47
Net Pension Liability	4,251,229.95	608,872.05	4,860,102.00
Landfill Closure/Postclosure		681,471.05	681,471.05
Other Postemployment Benefits (OPEB) Liability	3,832,986.05	544,571.95	4,377,558.00
Total Noncurrent Liabilities	<u>23,705,203.25</u>	<u>2,666,893.41</u>	<u>26,372,096.66</u>
 Total Liabilities	 <u>30,188,487.42</u>	 <u>3,002,622.27</u>	 <u>33,191,109.69</u>
<b>Deferred Inflow of Resources</b>			
Unavailable Revenue - Property Taxes	2,872,732.75		2,872,732.75
Revenue Received in Advance - Motor Vehicle Taxes	258,699.51		258,699.51
Deferred Inflows Related to Net Pension Liability	390,928.26	55,540.74	446,469.00
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Liability	1,527,408.90	217,005.10	1,744,414.00
Total Deferred Inflow of Resources	<u>5,049,769.42</u>	<u>272,545.84</u>	<u>5,322,315.26</u>
<b>Net Position</b>			
Net Investment in Capital Assets	19,018,741.98	2,690,636.55	21,709,378.53
Restricted for:			
Capital Projects	797,044.62		797,044.62
Road Projects	2,368,266.04		2,368,266.04
Other Purposes	3,976,232.88		3,976,232.88
Unrestricted	<u>(2,667,266.23)</u>	<u>971,974.57</u>	<u>(1,695,291.66)</u>
Total Net Position	<u>\$ 23,493,019.29</u>	<u>\$ 3,662,611.12</u>	<u>\$ 27,155,630.41</u>

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

**Statement of Activities**  
**For the Year Ended September 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General Government	\$ 5,527,155.20	\$ 858,703.46	\$ 3,563,969.12	\$	\$ (1,104,482.62)	\$	\$ (1,104,482.62)
Public Safety	6,350,998.87	1,120,345.55	702,971.24		(4,527,682.08)		(4,527,682.08)
Highways and Roads	6,240,249.88		3,773,864.49	1,352,398.17	(1,113,987.22)		(1,113,987.22)
Sanitation	41,197.49				(41,197.49)		(41,197.49)
Health	115,419.64	6,109.75			(109,309.89)		(109,309.89)
Welfare	320,088.92		57,797.70		(262,291.22)		(262,291.22)
Culture and Recreation	385,665.08	7,053.08	73,846.30		(304,765.70)		(304,765.70)
Education	28,581.26				(28,581.26)		(28,581.26)
Interest on Long-Term Debt	526,154.54				(526,154.54)		(526,154.54)
Total Governmental Activities	19,535,510.88	1,992,211.84	8,172,448.85	1,352,398.17	(8,018,452.02)		(8,018,452.02)
<b>Business-Type Activities</b>							
Solid Waste	3,458,185.47	3,448,118.99				(10,066.48)	(10,066.48)
Total Business-Type Activities	3,458,185.47	3,448,118.99				(10,066.48)	(10,066.48)
Total Primary Government	\$ 22,993,696.35	\$ 5,440,330.83	\$ 8,172,448.85	\$ 1,352,398.17	(8,018,452.02)	(10,066.48)	(8,028,518.50)
<b>General Revenues:</b>							
Taxes:							
Property Taxes for General Purposes					2,802,504.83		2,802,504.83
Property Taxes for Specific Purposes					1,418,009.15		1,418,009.15
General Sales Tax					3,832,053.62		3,832,053.62
Miscellaneous Taxes					460,718.95		460,718.95
Investment Earnings					40,325.66	1,249.52	41,575.18
Rental Income					227,610.51	6,273.75	233,884.26
TVA in Lieu of Taxes					691,513.54		691,513.54
Insurance Reimbursements					273,694.62		273,694.62
Miscellaneous Revenue					1,475,001.87	5,062.09	1,480,063.96
Total General Revenues					11,221,432.75	12,585.36	11,234,018.11
Changes in Net Position					3,202,980.73	2,518.88	3,205,499.61
Net Position - Beginning of Year					20,290,038.56	3,660,092.24	23,950,130.80
Net Position - End of Year					\$ 23,493,019.29	\$ 3,662,611.12	\$ 27,155,630.41

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

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2023**

	General Fund	Gasoline Tax Fund	Reappraisal Fund	American Rescue Plan Act Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash	\$ 5,274,869.85	\$ 1,771,837.41	\$ 157,315.29	\$ 4,589,212.38	\$	\$ 3,458,250.03	\$ 15,251,484.96
Cash with Fiscal Agent					5,866,882.90		5,866,882.90
Investments	98,068.21	1,100.00				39,682.37	138,850.58
Accounts Receivable	24,585.65					125,836.86	150,422.51
Due from Other Governments	292,015.37	199,661.90				337,464.11	829,141.38
Due from Other Funds	374.68						374.68
Sales Taxes Receivable	663,658.71						663,658.71
TVA in Lieu of Taxes	68,903.31						68,903.31
Ad Valorem Taxes Receivable	2,182,645.47		690,087.28				2,872,732.75
Inventories	50,277.54	81,593.29					131,870.83
Total Assets	8,655,398.79	2,054,192.60	847,402.57	4,589,212.38	5,866,882.90	3,961,233.37	25,974,322.61
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	430,353.47	72,553.89	2,494.14	43,654.30		99,796.88	648,852.68
Due to Other Funds				374.68			374.68
Accrued Wages Payable	173,201.97	42,263.19	14,476.93			29,840.57	259,782.66
Unearned Revenues		69,267.23	140,344.22	4,540,572.98			4,750,184.43
Total Liabilities	603,555.44	184,084.31	157,315.29	4,584,601.96		129,637.45	5,659,194.45
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue - Property Taxes	2,182,645.47		690,087.28				2,872,732.75
Revenue Received in Advance - Motor Vehicle Taxes	258,699.51						258,699.51
Total Deferred Inflows of Resources	2,441,344.98		690,087.28				3,131,432.26
<b>Fund Balances</b>							
Nonspendable:							
Inventories	50,277.54	81,593.29					131,870.83
Restricted for:							
Debt Service							
Highways and Roads		1,788,515.00				498,157.75	2,286,672.75
Capital Projects					5,866,882.90	797,044.62	6,663,927.52
Public Safety						310,683.41	310,683.41
Other Purposes	1,435,228.91			4,610.42		2,225,710.14	3,665,549.47
Unassigned	4,124,991.92						4,124,991.92
Total Fund Balances	5,610,498.37	1,870,108.29		4,610.42	5,866,882.90	3,831,595.92	17,183,695.90
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,655,398.79	\$ 2,054,192.60	\$ 847,402.57	\$ 4,589,212.38	\$ 5,866,882.90	\$ 3,961,233.37	\$ 25,974,322.61

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, 2023***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 17,183,695.90

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. 29,305,215.46

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	
Accrued Interest Payable	\$ 54,721.40	\$	
Warrants Payable	645,000.00	15,190,000.00	
Notes Payable	124,743.00	193,613.38	
Net OPEB Liability		3,832,986.05	
Net Pension Liability		4,251,229.95	
Compensated Absences		237,373.87	
Total Long-Term Liabilities	\$ 824,464.40	\$ 23,705,203.25	(24,529,667.65)

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

Employer Pension Contributions	\$ 301,045.49	
Deferred Inflows Related to Net Pension Liability	(390,928.26)	
Deferred Outflows Related to Net Pension Liability	2,614,426.02	
Employer Other Postemployment Benefits Contributions	150,003.41	
Deferred Inflows Related to Other Postemployment Benefits Liability	(1,527,408.90)	
Deferred Outflows Related to Other Postemployment Benefits Liability	386,637.82	
	\$ 1,533,775.58	1,533,775.58

Total Net Position - Governmental Activities (Exhibit 1) \$ 23,493,019.29

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, 2023**

	General Fund	Gasoline Tax Fund	Reappraisal Fund	American Rescue Plan Act Fund	Construction Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 6,609,240.83	\$	\$ 690,179.24	\$	\$	\$	\$ 7,299,420.07
Licenses and Permits	58,026.70						58,026.70
Intergovernmental	2,667,951.54	4,720,904.61		1,396,130.74		2,308,903.41	11,421,591.96
Charges for Services	733,434.60					1,498,462.63	1,942,820.22
Miscellaneous	1,463,235.19	97,619.69		2,563.64	4,882.90	486,955.89	2,016,632.66
Total Revenues	11,531,888.86	4,818,524.30	690,179.24	1,398,694.38	4,882.90	4,294,321.93	22,738,491.61
<b>Expenditures</b>							
Current:							
General Government	3,383,372.75		690,179.24	128,615.16		588,088.90	4,790,256.05
Public Safety	4,470,066.95			142,826.57		1,328,465.57	5,941,359.09
Highways and Roads		4,736,438.45		38,601.34		665,810.64	5,440,850.43
Sanitation				41,197.49			41,197.49
Health	82,965.05			2,639.26			85,604.31
Welfare	274,599.99			11,070.98		21,120.93	306,791.90
Culture and Recreation	367,231.41			2,269.20		7,487.37	376,987.98
Education	28,581.26						28,581.26
Capital Outlay	612,864.52	48,700.00		1,028,910.74		299,464.61	1,989,939.87
Debt Service:							
Principal Retirement		121,403.09				540,000.00	661,403.09
Interest and Fiscal Charges	24.97	10,763.47				480,764.13	491,552.57
Bond Issuance Costs						309,479.65	309,479.65
Payments to Escrow						201,891.35	201,891.35
Total Expenditures	9,219,706.90	4,917,305.01	690,179.24	1,396,130.74		4,442,573.15	20,665,895.04
Excess (Deficiency) of Revenues Over Expenditures	2,312,181.96	(98,780.71)		2,563.64	4,882.90	(148,251.22)	2,072,596.57
<b>Other Financing Sources (Uses)</b>							
Long-Term Debt Issued					5,862,000.00	9,973,000.00	15,835,000.00
Premium on Debt Issued						295,618.20	295,618.20
Payments to Escrow Agent						(9,959,138.55)	(9,959,138.55)
Transfers In	242,000.09	500,000.00				1,266,491.68	2,008,491.77
Transfers Out	(1,640,197.78)					(368,293.99)	(2,008,491.77)
Total Other Financing Sources (Uses)	(1,398,197.69)	500,000.00			5,862,000.00	1,207,677.34	6,171,479.65
Net Change in Fund Balances	913,984.27	401,219.29		2,563.64	5,866,882.90	1,059,426.12	8,244,076.22
Fund Balances - Beginning of Year	4,696,514.10	1,468,889.00		2,046.78		2,772,169.80	8,939,619.68
Fund Balances - End of Year	\$ 5,610,498.37	\$ 1,870,108.29	\$	\$ 4,610.42	\$ 5,866,882.90	\$ 3,831,595.92	\$ 17,183,695.90

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

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***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2023***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 8,244,076.22

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,989,939.87) exceeded depreciation (\$1,543,543.57) in the current period. 446,396.30

Repayment of 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. 661,403.09

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Debt Issued:  
Warrants Payable (15,835,000.00)

Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities 9,980,000.00

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

Net Decrease in Accrued Interest Payable	\$	146,427.93	
Net Increase in Compensated Absences		(44,892.75)	
Net Increase in Pension Expense		(355,609.22)	
Net Increase in Other Postemployment Benefit Expense		(39,820.84)	
Total Additional Expenditures		(293,894.88)	(293,894.88)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,202,980.73

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

***Statement of Net Position***  
***Proprietary Fund***  
***September 30, 2023***

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash	\$ 2,858,888.68	\$ 2,858,888.68
Investments	611,874.00	611,874.00
Accounts Receivable	285,924.51	285,924.51
Total Current Assets	<u>3,756,687.19</u>	<u>3,756,687.19</u>
<b><u>Noncurrent Assets</u></b>		
Capital Assets (Note 5):		
Nondepreciable	93,172.00	93,172.00
Depreciable, Net	2,597,464.55	2,597,464.55
Total Noncurrent Assets	<u>2,690,636.55</u>	<u>2,690,636.55</u>
Total Assets	<u>6,447,323.74</u>	<u>6,447,323.74</u>
<b><u>Deferred Outflows of Resources</u></b>		
Employer Pension Contributions	42,770.74	42,770.74
Deferred Outflows Related to Net Pension Liability	371,441.98	371,441.98
Employer Other Postemployment Benefits (OPEB) Contributions	21,311.59	21,311.59
Deferred Outflow Related to Other Postemployment Benefits (OPEB)	54,931.18	54,931.18
Total Deferred Outflows of Resources	<u>490,455.49</u>	<u>490,455.49</u>
<b><u>Liabilities</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	123,715.28	123,715.28
Accrued Wages Payable	41,727.50	41,727.50
Notes from Direct Borrowing	170,286.08	170,286.08
Total Current Liabilities	<u>335,728.86</u>	<u>335,728.86</u>
<b><u>Noncurrent Liabilities</u></b>		
Estimated Liability for Landfill Postclosure Care Costs	681,471.05	681,471.05
Estimated Liability for Compensated Absences	39,469.60	39,469.60
Net Pension Liability	608,872.05	608,872.05
OPEB Liability	544,571.95	544,571.95
Notes from Direct Borrowing	792,508.76	792,508.76
Total Noncurrent Liabilities	<u>2,666,893.41</u>	<u>2,666,893.41</u>
Total Liabilities	<u>\$ 3,002,622.27</u>	<u>\$ 3,002,622.27</u>

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

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred Inflows Related to Net Pension Liability	\$ 55,540.74	\$ 55,540.74
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Liability	217,005.10	217,005.10
Total Deferred Inflows of Resources	<u>272,545.84</u>	<u>272,545.84</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	2,690,636.55	2,690,636.55
Unrestricted	971,974.57	971,974.57
Total Net Position	<u>\$ 3,662,611.12</u>	<u>\$ 3,662,611.12</u>

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***Statement of Revenues, Expenses and Changes in Fund Net Position***  
***Proprietary Fund***  
***For the Year Ended September 30, 2023***

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<b><u>Operating Revenues</u></b>		
Commercial Dumpsters	\$ 208,673.38	\$ 208,673.38
Commercial Roll-Offs	246,001.10	246,001.10
Revenue from Recycling	1,832.20	1,832.20
Landfill Host Fees	382,175.88	382,175.88
Landfill Fees	2,609,436.43	2,609,436.43
Total Operating Revenues	<u>3,448,118.99</u>	<u>3,448,118.99</u>
<b><u>Operating Expenses</u></b>		
Salaries and Benefits	1,243,124.42	1,243,124.42
Contractual and Professional Services	389,075.18	389,075.18
Materials and Supplies	388,650.03	388,650.03
Repairs and Maintenance	127,766.36	127,766.36
Utilities	26,926.05	26,926.05
Communications	11,574.24	11,574.24
Depreciation	465,067.81	465,067.81
Insurance	133,647.80	133,647.80
Miscellaneous	113,579.32	113,579.32
Total Operating Expenses	<u>2,899,411.21</u>	<u>2,899,411.21</u>
Operating Income (Loss)	<u>548,707.78</u>	<u>548,707.78</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Interest Revenue	1,249.52	1,249.52
Rental of Buildings and Land	6,273.75	6,273.75
Other Revenue	5,062.09	5,062.09
Gain (Loss) on the Disposal of Capital Assets	(558,178.26)	(558,178.26)
Interest Expense	(596.00)	(596.00)
Total Nonoperating Revenues (Expenses)	<u>(546,188.90)</u>	<u>(546,188.90)</u>
Changes in Net Position	2,518.88	2,518.88
Total Net Position - Beginning of Year	<u>3,660,092.24</u>	<u>3,660,092.24</u>
Total Net Position - End of Year	<u>\$ 3,662,611.12</u>	<u>\$ 3,662,611.12</u>

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

***Statement of Cash Flows***  
***Proprietary Fund***  
***For the Year Ended September 30, 2023***

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from Customers	\$ 3,406,377.05	\$ 3,406,377.05
Payments to Suppliers	(1,178,459.47)	(1,178,459.47)
Payments to Employees	(1,183,430.93)	(1,183,430.93)
Net Cash Provided (Used) by Operating Activities	<u>1,044,486.65</u>	<u>1,044,486.65</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Rental of Buildings and Land	6,273.75	6,273.75
Other Revenue	5,062.09	5,062.09
Net Cash Provided (Used) by Noncapital Financing Activities	<u>11,335.84</u>	<u>11,335.84</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Acquisition of Capital Assets	(1,495,272.84)	(1,495,272.84)
Proceeds from Sale of Asset	40,000.00	40,000.00
Interest Paid on Capital Debt	(596.00)	(596.00)
Issuance of Note Payable	962,794.84	962,794.84
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(493,074.00)</u>	<u>(493,074.00)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Interest Received	577.20	577.20
Net Cash Provided (Used) by Investing Activities	<u>577.20</u>	<u>577.20</u>
Net Increase (Decrease) in Cash	563,325.69	563,325.69
Cash - Beginning of Year	<u>2,295,562.99</u>	<u>2,295,562.99</u>
Cash - End of Year	<u>\$ 2,858,888.68</u>	<u>\$ 2,858,888.68</u>

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

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<b><u>Reconciliation of Operating Income (Loss) to</u></b>		
<b><u>Net Cash Provided (Used) by Operating Activities</u></b>		
Operating Income (Loss)	\$ 548,707.78	\$ 548,707.78
<b><u>Adjustments to Reconcile Operating Income/(Loss)</u></b>		
<b><u>to Net Cash Provided (Used) for Operating Activities</u></b>		
Change in Assets and Liabilities:		
Receivables	(41,741.94)	(41,741.94)
Accrued Wages Payable	8,343.84	8,343.84
Compensated Absences	14,542.07	14,542.07
Depreciation Expense	465,067.81	465,067.81
Landfill Postclosure	(21,853.08)	(21,853.08)
Pension Expense	48,673.42	48,673.42
OPEB Expense	(11,865.84)	(11,865.84)
Payables	34,612.59	34,612.59
Total Adjustments	<u>495,778.87</u>	<u>495,778.87</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,044,486.65</u>	<u>\$ 1,044,486.65</u>

***Statement of Fiduciary Net Position***  
***September 30, 2023***

	<b>Custodial Funds</b>
<b><u>Assets</u></b>	
Cash	\$ 2,586,850.18
Investments	21,381.43
Due from Other Governments	166,464.49
Total Assets	<u>2,774,696.10</u>
<b><u>Liabilities</u></b>	
Due to External Parties	732,562.02
Due to Other Governments	401,739.44
Total Liabilities	<u>1,134,301.46</u>
<b><u>Net Position</u></b>	
Held for Individuals, Organizations and Other Governments	1,640,394.64
Total Net Position	<u>\$ 1,640,394.64</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, 2023***

	<b>Custodial Funds</b>
<b><u>Additions</u></b>	
Contributions from:	
Taxes	\$ 22,187,507.47
Intergovernmental	165,044.51
Charges for Services	34,353.50
Miscellaneous	5,201.53
Total Additions	<u>22,392,107.01</u>
<b><u>Deductions</u></b>	
Administrative Expenses:	
General Government	59,711.63
Public Safety	179,386.44
Education	224,906.71
Taxes and Fees Paid to Other Governments	22,014,324.12
Total Deductions	<u>22,478,328.90</u>
Changes in Net Position	(86,221.89)
Net Position - Beginning of Year	<u>1,726,616.53</u>
Net Position - End of Year	<u>\$ 1,640,394.64</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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

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

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

#### **Fund Financial Statements**

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. The fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges. Also, accounted for in the General Fund are the flex spending fund and payroll clearing fund.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of seven-cent State gasoline revenues for construction, improvement, maintenance and supervision of highways, bridges and streets.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.
- ◆ **American Rescue Plan Act Fund** – This fund is used to account for federal grant appropriations and expenditures of the American Rescue Plan Act.
- ◆ **Construction Fund** – This fund is used to account for construction funds for the courthouse renovations.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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The Commission reports the following major enterprise fund:

- ◆ **Solid Waste Fund** – This fund is used to account for the cost of providing solid waste service to county residents.

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

#### **Governmental Fund Types**

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

The Commission reports the following fiduciary fund type:

#### **Fiduciary Fund Type**

- ◆ **Custodial Funds** – These funds are used to account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Cash includes cash on hand and demand deposits.

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

Investments consist of certificates of deposit and are reported at cost. Cash with fiscal agents is invested in money market accounts that are valued at amortized cost.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **2. Receivables**

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, reimbursements from other agencies and taxes and fees from the State of Alabama.

Accounts receivable from customers are reflected in the Enterprise Fund along with an allowance for doubtful accounts that was calculated based upon past experience with collections.

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

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

#### **3. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

#### **4. Restricted Assets**

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**5. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at their original historical cost plus ancillary charges such as transportation, installation, and site preparation costs. Donated capital assets are valued at their acquisition value (plus any ancillary costs) at the acquisition date. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	20 – 40 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Land Improvements	\$ 5,000	25 – 40 years
Roads	\$100,000	25 – 40 years
Bridges	\$ 50,000	40 – 50 years

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

**6. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the government-wide and proprietary funds 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**7. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**8. Compensated Absences**

The Commission has a standard leave policy for its full-time employees as to sick and annual leave. The policy was updated effective April 14, 2023.

**Annual Leave**

All eligible employees earn annual leave according to the schedule below:

Completed Years of Continuous Service	Annual Leave Earned Service
0-3 years	104 hours per year
4-6 years	112 hours per year
7-9 years	120 hours per year
10-12 years	128 hours per year
13-15 years	136 hours per year
16 years and over	144 hours per year

Annual leave will accrue on a bi-weekly basis. Unused annual leave credits may be accumulated and carried over into successive years by employees up to a maximum of 120 hours. Upon separation or retirement, employees are paid for unused annual leave. The total will include the approved leave carryover from the previous year and any additional accruals from the current year. The maximum amount of annual leave that can be accrued is 264 hours.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Sick Leave**

Sick leave benefits are accrued by all permanent full-time employees at a rate of 4 hours per pay period for a total of 104 hours of sick leave per year. Part-time employees receive 2 hours per pay period for a total of 52 hours of sick leave per year. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees. The maximum amount of sick leave an employee may accrue is 720 hours. All unused sick leave is forfeited upon separation and is not compensated to the employee.

The Commission does not accrue sick leave in the financial statements because employees do not receive payment upon termination of employment for sick leave balances.

#### **Compensatory Leave**

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Generally, employees in public safety activity, emergency response activity, or seasonal activity may accumulate 40 hours maximum. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory leave is calculated at one and one-half times the regular hours.

The *Code of Alabama 1975*, Section 36-21-4.1, provides that any non-elected law enforcement officer in the service of a county who has worked overtime be given the choice of overtime pay or compensatory leave. Under this statute, officers must make an election at the end of each month with regard to overtime earned during that month. Any overtime to be received as salary is to be paid the following month and any overtime to be taken as compensatory leave must be taken in the calendar year in which it is earned. Under this provision, deputies may accrue compensatory leave, but it must be used in the calendar year in which it is earned and there is no provision to pay out any unused compensatory leave.

#### **9. Deferred Inflows of Resources**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### 10. Net Position/Fund Balances

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

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

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

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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- ◆ ***Committed*** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
  
- ◆ ***Assigned*** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Chairman of the Commission or the County Administrator is authorized by the Commission to make the determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
  
- ◆ ***Unassigned*** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

#### **E. Pensions**

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

##### *Budgets*

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

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

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

#### *Note 3 – Deposits and Investments*

##### *A. Deposits*

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**B. Cash with Fiscal Agent**

The Commission has deposits totaling \$5,866,882.90 in the capital project fund, which is shown as cash with fiscal agents on the fund financial statements and on the government-wide financial statements. These funds are invested in the Dreyfus Government Cash Management Fund. This money market fund invests primarily in U. S. Treasury obligations. The Dreyfus Government Cash Management Fund is rated AAAM by Standard & Poor’s and Aaa-mf by Moody’s.

As of September 30, 2023, the Commission had the following cash held by fiscal agents:

Investments	Maturities	Amortized Cost
Dreyfus Government Cash Management	Less Than One Year	\$5,866,882.90
Total		<u>\$5,866,882.90</u>

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

**Credit Risk** – 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 bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. The Commission has no formal policy regarding credit risk. The Standard & Poor’s rating of the Commission’s Dreyfus Government Cash Management money market fund is AAAM. It is rated Aaa-mf by Moody’s.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have an investment policy that limits the amount of securities that can be held by counterparties. The funds transferred to meet the Commission’s annual debt service are invested until payments are made.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Commission does not have an investment policy which limits the amount of exposure to this risk.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

**Note 4 – Receivables**

On September 30, 2023, Accounts Receivable, Due from Other Governments, Sales Tax Receivable and TVA in Lieu of Taxes Receivable for the Commission’s individual major funds and other governmental funds and fiduciary funds are as follows:

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Governmental Funds</u></b>				
Receivables:				
Accounts Receivable	\$ 24,585.65	\$	\$125,836.86	\$ 150,422.51
Due from Other Governments	292,015.37	199,661.90	337,464.11	829,141.38
Sales Taxes Receivable	663,658.71			663,658.71
TVA in Lieu of Taxes	68,903.31			68,903.31
Total Receivables	<u>\$1,049,163.04</u>	<u>\$199,661.90</u>	<u>\$463,300.97</u>	<u>\$1,712,125.91</u>

	Solid Waste Fund	Total Enterprise Fund
<b><u>Enterprise Funds</u></b>		
Receivables:		
Accounts Receivable	\$285,924.51	\$285,924.51
Total Receivables	<u>\$285,924.51</u>	<u>\$285,924.51</u>

	Custodial Funds	Total Fiduciary Fund
<b><u>Fiduciary Funds</u></b>		
Receivables:		
Due from Other Governments	\$166,464.49	\$166,464.49
Total Receivables	<u>\$166,464.49</u>	<u>\$166,464.49</u>

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2023, the following unearned revenues were reported in the governmental funds.

Unexpended Forestry Receipts	\$ 69,267.23
Unexpended Reappraisal Funds	140,344.22
Unexpended ARPA Funds	4,540,572.98
<b>Total Unearned Revenues</b>	<b>\$4,750,184.43</b>

**Note 5 – Capital Assets**

Capital asset activity for governmental activities for the year ended September 30, 2023, was as follows:

	Balance 10/01/2022	Additions/ Reclassifications	Retirements/ Reclassifications	Balance 09/30/2023
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 1,208,789.11	\$	\$	\$ 1,208,789.11
Construction in Progress	590,099.11	840,990.74		1,431,089.85
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,798,888.22</b>	<b>840,990.74</b>		<b>2,639,878.96</b>
<b>Capital Assets Being Depreciated:</b>				
Infrastructure	26,188,232.84			26,188,232.84
Land Improvements	188,998.19	9,906.00		198,904.19
Buildings	16,540,560.14	56,836.60		16,597,396.74
Equipment and Vehicles	6,579,167.50	1,082,206.53		7,661,374.03
<b>Total Capital Assets Being Depreciated</b>	<b>49,496,958.67</b>	<b>1,148,949.13</b>		<b>50,645,907.80</b>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	(10,122,758.05)	(660,490.60)		(10,783,248.65)
Land Improvements	(160,379.69)	(3,832.43)		(164,212.12)
Buildings	(7,160,462.84)	(386,449.92)		(7,546,912.76)
Equipment and Vehicles	(4,993,427.15)	(492,770.62)		(5,486,197.77)
<b>Total Accumulated Depreciation</b>	<b>(22,437,027.73)</b>	<b>(1,543,543.57)</b>		<b>(23,980,571.30)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>27,059,930.94</b>	<b>(394,594.44)</b>		<b>26,665,336.50</b>
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$ 28,858,819.16</b>	<b>\$ 446,396.30</b>	<b>\$</b>	<b>\$ 29,305,215.46</b>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

Capital asset activity for business-type activities for the year ended September 30, 2023, was as follows:

	Balance 10/01/2022	Additions	Retirements	Balance 09/30/2023
<b>Business-Type Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 93,172.00	\$	\$	\$ 93,172.00
<b>Total Capital Assets, Not Being Depreciated</b>	<b>93,172.00</b>			<b>93,172.00</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings	362,828.00	5,650.00		368,478.00
Equipment and Furniture	3,335,243.78	1,489,622.84	(1,083,690.70)	3,741,175.92
<b>Total Capital Assets Being Depreciated</b>	<b>3,698,071.78</b>	<b>1,495,272.84</b>	<b>(1,083,690.70)</b>	<b>4,109,653.92</b>
<b>Less: Accumulated Depreciation for:</b>				
Buildings	(77,100.95)	(9,070.70)		(86,171.65)
Equipment and Furniture	(1,455,533.05)	(455,997.11)	485,512.44	(1,426,017.72)
<b>Total Accumulated Depreciation</b>	<b>(1,532,634.00)</b>	<b>(465,067.81)</b>	<b>485,512.44</b>	<b>(1,512,189.37)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>2,165,437.78</b>	<b>1,030,205.03</b>	<b>(598,178.26)</b>	<b>2,597,464.55</b>
<b>Total Business-Type Activities Capital Assets, Net</b>	<b>\$ 2,258,609.78</b>	<b>\$1,030,205.03</b>	<b>\$ (598,178.26)</b>	<b>\$ 2,690,636.55</b>

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

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$ 620,245.91
Public Safety	218,609.96
Highway and Roads	694,725.90
Health	8,601.80
Culture and Recreation	1,360.00
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$1,543,543.57</b>

	Current Year Depreciation Expense
<b>Business-Type Activities:</b>	
Solid Waste	\$465,067.81
<b>Total Depreciation Expense – Business-Type Activities</b>	<b>\$465,067.81</b>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### Note 6 – Defined Benefit Pension Plan

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

###### Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan (the "Plan"), was established October 1, 1945, pursuant to the *Code of Alabama 1975*, Section 36-27 (Act Number 515, Acts of Alabama 1945). The purpose of the ERS is to provide 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 which consists of 15 trustees. Act Number 2021-390, Acts of Alabama, created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS Board of Control consists of 15 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) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.
  - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.
  - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.
  - f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### *Benefits Provided*

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

Act Number 2012-377, Acts of Alabama, 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 formula method. 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 up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits 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.

Act Number 2019-132, Acts of Alabama, allowed employers who participate in the ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6, to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act Number 2019-132, Acts of Alabama, will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act Number 2019-132, Acts of Alabama as of September 30, 2022.

Act Number 2019-316, Acts of Alabama, allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of the partial lump sum distribution selected.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership consisted of:

Retirees and beneficiaries currently receiving benefits	30,598
Terminated employees entitled to but not yet receiving benefits	2,286
Terminated employees not entitled to a benefit	18,689
Active Members	57,278
Post-DROP participants who are still active service	39
Total	108,890

### 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.

Employers participating in the ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6, were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676, Acts of Alabama. By adopting Act 2011-676, Acts of Alabama, Tier 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers, and firefighters increased from 6% to 8.5% of earnable compensation.

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

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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, 2023, the Commission's active employee contribution rate was 7.63% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 5.70% of pensionable payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2023, was 5.56% of pensionable pay for Tier 1 employees, and 5.81% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2020, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission for governmental and business-type activities were \$301,045.49 and \$42,770.74 respectively, for the year ended September 30, 2023.

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

The Commission's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2021, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward		
	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2021	\$ 23,322,018	\$ 22,941,925	\$ 22,954,566
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2021 through September 30, 2022	502,576	502,576	503,066
(d) Transfers Among Employers		(146,135)	(146,135)
(e) Actual Benefit Payments and Refunds for the period October 1, 2021 through September 30, 2022	(1,461,730)	(1,461,730)	(1,461,730)
(f) Total Pension Liability as of September 30, 2022 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 24,045,905</u>	<u>\$ 23,491,360</u>	<u>\$ 23,505,433</u>
(g) Difference between Expected and Actual		\$ (54,545)	
(h) Less Liability Transferred for Immediate Recognition		(146,135)	
(i) Difference between Expected and Actual – Experience (Gain)/Loss		<u>\$ (408,410)</u>	
(j) Difference between Actual TPL Before and After Plan Changes – Benefit Change (Gain)/Loss			<u>\$ 14,073</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### Actuarial Assumptions

The total pension liability as of September 30, 2022, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected Salary Increases, including inflation:	
State and Local Employees	3.25 – 6.00%
State Police	4.00 – 7.75%
Investment Rate of Return, including inflation (*)	7.45%
(*) Net of pension plan investment expense	

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019.

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages <65, 96% ages >=65 Female: 96% all ages
FLC/State Police Service Retirees Beneficiaries	Public Safety Healthy Below Median Contingent Survivor Below Median	Male: +1, Female: none Male: +2, Female: +2	None None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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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	15.00%	2.80%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	

(\*) Includes assumed rate of inflation of 2.00%.

**Discount Rate**

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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, 2023***

**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, 2021	\$23,322,018	\$22,327,748	\$ 994,270
Changes for the Year:			
Service cost	502,576		502,576
Interest	1,683,041		1,683,041
Changes in benefit terms	14,073		14,073
Differences between expected and actual experience	(408,410)		(408,410)
Contributions – employer		304,766	(304,766)
Contributions – employee		419,672	(419,672)
Net investment income		(2,798,990)	2,798,990
Benefit payments, including refunds of employee contributions	(1,461,730)	(1,461,730)	
Transfers among employers	(146,135)	(146,135)	
Net Changes	183,415	(3,682,417)	3,865,832
Balances at September 30, 2022	\$23,505,433	\$18,645,331	\$4,860,102

**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 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Commission’s Net Pension Liability	\$7,524,382	\$4,860,102	\$2,621,054

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2022. The auditor's report 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).

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

For the year ended September 30, 2023, the Commission recognized pension expense of \$770,207.00. At September 30, 2023, 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	\$ 261,213.00	\$446,469.00
Changes of assumptions	454,062.00	
Net difference between projected and actual earnings on pension plan investments	2,270,593	
Employer contributions subsequent to the measurement date	343,816.23	
Total	\$3,329,684.23	\$446,469.00

The \$343,816.23 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, 2024. 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, 2024	\$694,013
2025	\$547,393
2026	\$475,233
2027	\$822,760
2028	\$ 0
Thereafter	\$ 0

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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

**General Information about the OPEB Plan**

**Plan Description**

The Commission provides medical and dental insurance benefits to its eligible retirees and their spouses. The Commission’s OPEB plan is a single-employer defined benefit OPEB plan. The Commission participates in the Local Government Health Insurance Plan (LGHIP), which is a self-insured employer group health benefit plan administered by the Local Government Health Insurance Board (LGHIB). The Local Government Health Insurance Board (LGHIB) is a state agency established by the Alabama Legislature to administer the LGHIP pursuant to the ***Code of Alabama 1975***, Sections 11-91A-1 through 11-91A-10. The authority to establish and/or amend the obligation of the employer, employees, and retirees rests with the LGHIB.

No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 ***Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit***.

**Benefits Provided**

Medical and dental insurance benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or age 60 and 10 years of service (called “Tier 1” members). Employees hired on and after January 1, 2013 (called “Tier 2” members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

**Employees Covered by Benefit Terms**

At September 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	13
Active Employees	135
Total	<u>148</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**Total OPEB Liability**

The Commission's total OPEB liability of \$4,377,558.00 as of the reporting date September 30, 2023, was measured as of September 30, 2022, and was determined by an actuarial valuation as of September 30, 2022.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the September 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary Increases, including wage inflation	3.25% - 6.00%
Municipal Bond Index Rate	
Prior Measurement Date	2.26%
Measurement Date	4.02%
Healthcare Cost Trend Rates:	
Pre-Medicare Medical and Prescription Drug	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032

The Commission selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of September by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the total OPEB liability.

Mortality rates were based on the Pub-2010 Public Mortality Plans Mortality Tables, with adjustments for AL ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2022 valuation were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 14, 2021.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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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, 2022 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2022 valuation.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 4.02 percent. The projection of cash flows used to determine the discount rate assumed that Commission contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Total OPEB Liability**

Total OPEB Liability as of September 30, 2021	\$5,352,809
Changes for the Year:	
Service Cost at the End of the Year (*)	347,764
Interest on Total OPEB Liability and Cash Flows	119,048
Difference between expected and actual experience	(764,563)
Changes of Assumptions or Other Inputs	(506,185)
Net Benefit Payments	(171,315)
Net Changes	<u>(975,251)</u>
Total OPEB Liability as of September 30, 2022	<u>\$4,377,558</u>
(*) The service cost includes interest for the year.	

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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

The following presents the total OPEB liability of the Commission, determined using the discount rate of 4.02%, as well as what the Commission’s total OPEB liability would be if it were determined using a discount rate that is 1-percentage point lower (3.02%) or 1-percentage point higher (5.02%) than the current discount rate:

	1.0% Decrease (3.02%)	Current Discount Rate (4.02%)	1.0% Increase (5.02%)
Total OPEB Liability	\$4,755,670	\$4,377,558	\$4,030,192

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

The following presents the total OPEB liability of the Commission, determined using current health care cost trend rates, as well as what the Commission’s total OPEB liability would be if it were determined using healthcare cost trend rates that are 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current healthcare trend rates:

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$3,900,405	\$4,377,558	\$4,943,353

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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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, 2023, the Commission recognized OPEB expense of \$230,264.00. At September 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,850.00	\$ 949,252.00
Changes in assumptions or other inputs	434,719.00	795,162.00
Employer Contributions	171,315.00	
Total	\$612,884.00	\$1,744,414.00

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

Years Ending	
September 30, 2024	\$(216,844)
2025	\$(197,135)
2026	\$(178,162)
2027	\$(265,775)
2028	\$(245,037)
Thereafter	\$(199,892)

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**Note 8 – Long-Term Debt**

During fiscal year 2010, the Commission issued Series 2009-A General Obligation Refunding Warrants for the purpose of refinancing the Series 2002-A General Obligation Refunding Warrants and for financing certain capital improvements in the county and 2009-B General Obligation Recovery Zone Warrants for the purpose of financing certain capital improvements in the County. During fiscal year 2023, the 2009-A General Obligation Refunding Warrants and the 2009-B General Obligation Recover Zone Warrants were refunded by the 2023 General Obligation Warrants.

The Commission's outstanding note from direct borrowing, originally issued at \$2,020,000.00, was used for the purpose of constructing a jail. The outstanding note contains a provision that in the event of default the bank may declare the entire principal balance and all accrued unpaid interest due immediately without notice. This note from direct borrowing was refunded by the 2023 General Obligation Warrants.

The Commission's outstanding note from direct borrowing, originally issued at \$615,712.00, is secured by four 2021 dump trucks. The outstanding note contains a provision that in the event of default the bank may declare the entire principal balance and all accrued unpaid interest due immediately without notice.

The Commission's outstanding note from direct borrowing, originally issued at \$962,794.84, is secured by six 2024 dump trucks. The outstanding note contains a provision that in the event of default the bank may declare the entire principal balance and all accrued unpaid interest due immediately without notice.

The Commission issued Series 2023 General Obligation Warrants for the purpose of refunding the note from direct borrowing for the County Jail Project, Series 2009-A and Series 2009-B Warrants and to acquire and/or construct certain capital improvements for the renovation of the historical courthouse.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2023:

	Debt Outstanding 10/01/2022	Issued/ Increased	Repaid/ (Decreased)	Debt Outstanding 09/30/2023	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<b>Warrants Payable:</b>					
General Obligation Warrants, 2009-A	\$ 8,065,000.00	\$	\$ (8,065,000.00)	\$	\$
General Obligation Warrants, 2009-B	1,490,000.00		(1,490,000.00)		
General Obligation Warrants, 2023		15,835,000.00		15,835,000.00	645,000.00
<b>Total Warrants Payable</b>	<b>9,555,000.00</b>	<b>15,835,000.00</b>	<b>(9,555,000.00)</b>	<b>15,835,000.00</b>	<b>645,000.00</b>
<b><u>Other Liabilities:</u></b>					
Notes from Direct Borrowing	1,404,759.47		(1,086,403.09)	318,356.38	124,743.00
Other Postemployment Benefits	4,671,931.70		(838,945.65)	3,832,986.05	
Net Pension Liability	866,307.45	3,384,922.50		4,251,229.95	
Estimated Liability for Compensated Absences	192,481.12	44,892.75		237,373.87	
<b>Total Other Liabilities</b>	<b>7,135,479.74</b>	<b>3,429,815.25</b>	<b>(1,925,348.74)</b>	<b>8,639,946.25</b>	<b>124,743.00</b>
<b>Total Governmental Activities     Long-Term Liabilities</b>	<b>16,690,479.74</b>	<b>19,264,815.25</b>	<b>\$(11,480,348.74)</b>	<b>24,474,946.25</b>	<b>769,743.00</b>
<b><u>Business-Type Activities:</u></b>					
<b>Other Liabilities:</b>					
Notes from Direct Borrowing		962,794.84		962,794.84	170,286.08
Other Postemployment Benefits	680,877.30		(136,305.35)	544,571.95	
Net Pension Liability	127,962.55	480,909.50		608,872.05	
Estimated Liability for Landfill Postclosure Costs	703,324.13		(21,853.08)	681,471.05	
Estimated Liability for Compensated Absences	24,927.53	14,542.07		39,469.60	
<b>Total Other Liabilities</b>	<b>1,537,091.51</b>	<b>1,458,246.41</b>	<b>(158,158.43)</b>	<b>2,837,179.49</b>	<b>170,286.08</b>
<b>Total Business-Type Activities     Long-Term Liabilities</b>	<b>\$ 1,537,091.51</b>	<b>\$ 1,458,246.41</b>	<b>\$ (158,158.43)</b>	<b>\$ 2,837,179.49</b>	<b>\$170,286.08</b>

Payments on the warrants payables are made by the Debt Service Funds. The notes from direct borrowings are paid by the Gasoline Tax Fund and the Solid Waste Fund.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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

Fiscal Year Ending	Governmental Activities				Total Principal and Interest Requirements to Maturity
	General Obligation Warrants		Notes from Direct Borrowing		
	Principal	Interest	Principal	Interest	
September 30, 2024	\$ 645,000.00	\$ 407,282.44	\$124,743.00	\$ 7,423.56	\$ 1,184,449.00
2025	375,000.00	680,181.26	128,196.35	3,970.21	1,187,347.82
2026	390,000.00	663,868.76	65,417.03	666.25	1,119,952.04
2027	410,000.00	643,868.76			1,053,868.76
2028	430,000.00	622,868.76			1,052,868.76
2029-2033	2,510,000.00	2,759,343.80			5,269,343.80
2034-2038	3,215,000.00	2,050,493.80			5,265,493.80
2039-2043	3,995,000.00	1,269,609.39			5,264,609.39
2044-2047	3,865,000.00	346,700.01			4,211,700.01
<b>Total</b>	<b>\$15,835,000.00</b>	<b>\$9,444,216.98</b>	<b>\$318,356.38</b>	<b>\$12,060.02</b>	<b>\$25,609,633.38</b>

Fiscal Year Ending	Business-Type Activities		Total Principal and Interest Requirements to Maturity
	Notes from Direct Borrowing		
	Principal	Interest	
September 30, 2024	\$170,286.08	\$ 53,987.00	\$ 224,273.08
2025	180,849.50	43,423.58	224,273.08
2026	191,912.92	32,360.16	224,273.08
2027	203,653.14	20,619.94	224,273.08
2028	216,093.20	8,179.88	224,273.08
<b>Total</b>	<b>\$962,794.84</b>	<b>\$158,570.56</b>	<b>\$1,121,365.40</b>

**Pledged Revenues**

The Commission issued Series 2023 General Obligation Warrants for the purpose of refunding of 1997 note (County Jail Project), Series 2009-A and Series 2009-B Warrants and to acquire and/or construct certain capital improvements for the renovation of the historical courthouse. The Commission pledged to repay the principal and interest on the warrants from the future revenues of the Sales Tax Administration Fund, Jail Fee Fund and the SSUT tax collected. Future revenues of \$25,279,216.98 are pledged to repay the principal and interest on the warrants as of September 30, 2023. The Series 2023 General Obligation Warrants will mature in fiscal year 2047.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Defeased Debt**

On September 21, 2023, the Commission issued \$15,835,000.00 in General Obligation Refunding Warrants, Series 2023, with interest rates ranging from 3.50% to 5.00%. The purpose of these warrants was to currently refund the outstanding principal and interest on the Note from Direct Borrowing for the Jail, the 2009-A and the 2009-B Warrants. As a result of the refunding, the Commission had an overall cash savings of \$5,648,528.34 and an economic gain (difference between the present value of the old and new debt service payments) of \$215,552.00. The refunded warrants and notes are considered defeased, and the liability for those warrants has been removed.

#### **Note 9 – Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require that the Commission place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liability for landfill closure and postclosure care costs has a balance of \$681,471.05, as of September 30, 2023, which is based on an engineer's estimate of closure and postclosure care costs since the closing of the site in 1996. The original liability was based on what it would cost to perform all closure and postclosure costs in 1996. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

#### **Note 10 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County 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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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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 class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees may choose between two options. They may choose to participate in a plan administered by Blue Cross Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

**Note 11 – Interfund Transactions**

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2023, were as follows:

	Transfers In			Total
	General Fund	Gasoline Tax Fund	Other Governmental Funds	
<b>Transfers Out:</b>				
General Fund	\$	\$500,000.00	\$1,140,197.78	\$1,640,197.78
Other Governmental Funds	242,000.09		126,293.90	368,293.99
<b>Totals</b>	<b>\$242,000.09</b>	<b>\$500,000.00</b>	<b>\$1,266,491.68</b>	<b>\$2,008,491.77</b>

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.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**Note 12 – Related Organizations**

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

Related Organizations
Industrial Development Board of Lawrence County Lawrence County Healthcare Authority Lawrence County Department of Human Resources Board of Trustees of the Lawrence County Public Library Lawrence County Farmer’s Market

**Note 13 – Subsequent Event**

On December 13, 2024, the Commission voted to obligate the remainder of the ARPA revenue reduction funds to the courthouse restoration project.

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*Required Supplementary Information*

***Schedule of Changes in the Employer's Net Pension Liability***  
***For the Year Ended September 30, 2023***

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 502,576	\$ 430,696	\$ 422,207	\$ 443,647	\$ 419,854	\$ 417,102	\$ 434,321	\$ 481,189	\$ 476,667
Interest	1,683,041	1,572,440	1,470,695	1,465,672	1,431,574	1,373,310	1,395,524	1,418,586	1,353,223
Change in benefit terms	14,073		260,892						
Changes of assumptions		737,777			99,094		480,744		
Difference between expected and actual experience	(408,410)	207,760	310,916	(363,559)	(280,341)	67,756	(999,317)	(1,175,932)	
Benefit payments, including refunds of employee contributions	(1,461,730)	(1,484,773)	(1,357,872)	(1,285,109)	(1,167,821)	(1,167,422)	(947,288)	(1,076,956)	(948,744)
Transfers among employers	(146,135)	694,431	277,974	(159,037)	119,066	61,250	22,165		
Net change in total pension liability	183,415	2,158,331	1,384,812	101,614	621,426	751,996	386,149	(353,113)	881,146
Total pension liability - beginning	23,322,018	21,163,687	19,778,875	19,677,261	19,055,835	18,303,839	17,917,690	18,270,803	17,389,657
Total pension liability - ending (a)	\$ 23,505,433	\$ 23,322,018	\$ 21,163,687	\$ 19,778,875	\$ 19,677,261	\$ 19,055,835	\$ 18,303,839	\$ 17,917,690	\$ 18,270,803
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 304,766	\$ 230,485	\$ 233,115	\$ 255,578	\$ 231,286	\$ 267,796	\$ 358,040	\$ 328,113	\$ 340,863
Contributions - employee	419,672	399,702	386,186	383,948	433,131	333,940	366,152	377,717	402,311
Net investment income	(2,798,990)	4,071,799	1,007,912	457,419	1,559,314	1,962,904	1,449,554	170,201	1,582,432
Benefit payments, including refunds of employee contributions	(1,461,730)	(1,484,773)	(1,357,872)	(1,285,109)	(1,167,821)	(1,167,422)	(947,288)	(1,076,956)	(948,744)
Other (Transfers among employers)	(146,135)	694,431	277,974	(159,037)	119,066	61,250	22,165	6,041	(278,656)
Net change in plan fiduciary net position	(3,682,417)	3,911,644	547,315	(347,201)	1,174,976	1,458,468	1,248,623	(194,884)	1,098,206
Plan fiduciary net position - beginning	22,327,748	18,416,104	17,868,789	18,215,990	17,041,014	15,582,546	14,333,923	14,528,807	13,430,601
Plan fiduciary net position - ending (b)	\$ 18,645,331	\$ 22,327,748	\$ 18,416,104	\$ 17,868,789	\$ 18,215,990	\$ 17,041,014	\$ 15,582,546	\$ 14,333,923	\$ 14,528,807
Commission's net pension liability - ending (a) - (b)	\$ 4,860,102	\$ 994,270	\$ 2,747,583	\$ 1,910,086	\$ 1,461,271	\$ 2,014,821	\$ 2,721,293	\$ 3,583,767	\$ 3,741,996
Plan fiduciary net position as a percentage of the total pension liability	79.32%	95.74%	87.02%	90.34%	92.57%	89.43%	85.13%	80.00%	79.52%
Covered payroll (*)	\$ 5,500,571	\$ 5,154,740	\$ 4,930,401	\$ 5,103,799	\$ 4,839,158	\$ 4,564,499	\$ 4,831,633	\$ 4,982,326	\$ 5,168,944
Commission's net pension liability as a percentage of covered payroll	88.36%	19.29%	55.73%	37.42%	30.20%	44.14%	56.32%	71.93%	72.39%

(\*) Employer's covered payroll during the measurement period is the total covered payroll.  
For fiscal year 2023, the measurement period is October 1, 2021 through September 30, 2022.  
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, 2023***

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 343,816	\$ 304,766	\$ 230,485	\$ 233,115	\$ 255,578	\$ 231,286	\$ 267,796	\$ 358,040	\$ 328,113	\$ 340,863
Contributions in relation to the actuarially determined contribution (*)	\$ 343,816	\$ 304,766	\$ 230,485	\$ 233,115	\$ 255,578	\$ 231,286	\$ 267,796	\$ 358,040	\$ 328,113	\$ 340,863
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 6,035,779	\$ 5,500,571	\$ 5,154,740	\$ 4,930,401	\$ 5,103,799	\$ 4,839,158	\$ 4,564,499	\$ 4,831,633	\$ 4,982,326	\$ 5,168,944
Contributions as a percentage of covered payroll	5.70%	5.54%	4.47%	4.73%	5.01%	4.78%	5.87%	7.41%	6.59%	6.59%

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

(\*\*) Employer's covered payroll for fiscal year 2023 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 2023 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	18.5 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, 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, 2023***

	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 347,764	\$ 336,821	\$ 256,739	\$ 189,615	\$ 179,745	\$ 196,309
Interest	119,048	120,023	135,782	174,847	146,694	122,615
Changes in benefit terms			251,465			
Differences between expected and actual experience	(764,563)	9,514	(423,659)	(15,565)	(158,969)	(2,672)
Changes of assumptions or other inputs	(506,185)	(473,924)	239,282	679,503	19,838	(253,515)
Benefit payments (*)	(171,315)	(140,321)	(126,208)	(87,185)	(139,375)	(137,797)
Net change in total OPEB liability	(975,251)	(147,887)	333,401	941,215	47,933	(75,060)
Total OPEB Liability - Beginning	5,352,809	5,500,696	5,167,295	4,226,080	4,178,147	4,253,207
Total OPEB Liability - Ending	\$ 4,377,558	\$ 5,352,809	\$ 5,500,696	\$ 5,167,295	\$ 4,226,080	\$ 4,178,147
Covered-employee payroll (**)	\$ 5,300,303	\$ 4,651,278	\$ 4,651,278	\$ 4,983,396	\$ 4,983,396	\$ 4,822,819
Net pension liability as a percentage of covered-employee payroll	82.59%	115.08%	118.26%	103.69%	84.80%	86.63%

(\*) Benefit payments are net of participant contributions, include an amount for the implicit subsidy, if applicable, and includes amounts paid outside an OPEB trust, if applicable.

(\*\*) For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

**Notes to Schedule:**

**Benefit Changes** . There were no changes of benefit terms for the year ended September 30, 2022.

**Changes in Assumptions** . The discount rate as of September 30, 2021, was 2.26% and it changed to 4.02% as of September 30, 2022.

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, 2023***

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution (*)	\$ 171,315	\$ 140,321	\$ 126,208	\$ 87,185	\$ 139,375	\$ 137,797
Contributions in relation to the actuarially determined contribution	\$ 171,315	\$ 140,321	\$ 126,208	\$ 87,185	\$ 139,375	\$ 137,797
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Covered-employee payroll	\$ 5,300,303	\$ 4,651,278	\$ 4,651,278	\$ 4,651,278	\$ 4,983,396	\$ 4,983,396
Contributions as a percentage of covered-employee payroll	3.23%	3.02%	2.71%	1.87%	2.80%	2.77%

(\*) There are no actuarially determined contributions. Amounts reported are premiums paid.

**Notes to Schedule**

Valuation date: October 1, 2022

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	Market Value
Inflation	2.50%
Healthcare cost trend rates:	
Pre-Medicare Medical and Prescription Drug	7.00% for 2022, decreasing to an ultimate rate of 4.50% by 2032
Salary increases	3.25%-6.00%, including wage inflation
Municipal Bond Index Rate:	
Prior Measurement Date	2.26%
Measurement Date	4.02%
Retirement age	25 years of service at any age or attainment of age 60 and 10 years of service; employees hired on and after January 1, 2013 are not eligible to retire until until age 62 with 10 years of service.

Mortality:

Deaths before retirement	Pub-2010 Employee base rates are projected from 2010 using generational improvements with the adjusted Scale MP-2020. Rates are set back 1 year for all males and females.
Deaths after retirement	Pub-2010 Healthy Annuitant base rates are projected from 2010 using generational improvements with the adjusted Scale MP-2020. Rates are set back 2 years for non-FLC males and females and set forward 1 year for FLC males. Rates are adjusted by 90% for males prior to age 65, 96% for females of all ages.
Deaths after retirement (beneficiary)	Pub-2010 Contingent Survivors base rates are projected from 2010 using generational improvements with the adjusted Scale MP-2020. Rates are set forward 2 years for all males and females.
Deaths after retirement (disabled)	Pub-2010 Contingent Survivors base rates are projected from 2010 using generational improvements with the adjusted Scale MP-2020. Rates are set forward 7 years for all males and set forward 3 years for non-FLC females.

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, 2023***

	Budgeted Amounts		Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Taxes	\$ 4,680,787.91	\$ 4,680,787.91	\$ 4,794,682.43	(1)	\$ 1,814,558.40	\$ 6,609,240.83
Licenses and Permits	48,000.00	48,000.00	51,752.17	(1)	6,274.53	58,026.70
Intergovernmental	2,595,276.00	2,595,276.00	2,606,153.84	(1)	61,797.70	2,667,951.54
Charges for Services	585,484.00	585,484.00	733,434.60			733,434.60
Miscellaneous	1,153,200.00	1,153,200.00	821,256.05	(1)	641,979.14	1,463,235.19
Total Revenues	<u>9,062,747.91</u>	<u>9,062,747.91</u>	<u>9,007,279.09</u>		<u>2,524,609.77</u>	<u>11,531,888.86</u>
<b>Expenditures</b>						
Current:						
General Government	3,719,096.31	3,873,286.31	2,430,833.95	(2)	952,538.80	3,383,372.75
Public Safety	4,535,599.57	4,535,599.57	4,470,066.95			4,470,066.95
Health	75,981.00	75,981.00	82,965.05			82,965.05
Welfare	340,682.00	340,682.00	105,018.00	(2)	169,581.99	274,599.99
Culture and Recreation	227,501.84	227,501.84	367,231.41			367,231.41
Education	29,500.00	29,500.00	28,581.26			28,581.26
Capital Outlay			243,911.12	(2)	368,953.40	612,864.52
Debt Service:						
Interest					24.97	24.97
Total Expenditures	<u>8,928,360.72</u>	<u>9,082,550.72</u>	<u>7,728,607.74</u>		<u>1,491,099.16</u>	<u>9,219,706.90</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>134,387.19</u>	<u>(19,802.81)</u>	<u>1,278,671.35</u>		<u>1,033,510.61</u>	<u>2,312,181.96</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	228,276.00	228,276.00	242,000.09			242,000.09
Transfers Out	(1,035,732.00)	(1,035,732.00)	(481,287.55)	(3)	(1,158,910.23)	(1,640,197.78)
Total Other Financing Sources (Uses)	<u>(807,456.00)</u>	<u>(807,456.00)</u>	<u>(239,287.46)</u>		<u>(1,158,910.23)</u>	<u>(1,398,197.69)</u>
Net Changes in Fund Balances	(673,068.81)	(827,258.81)	1,039,383.89		(125,399.62)	913,984.27
Fund Balances - Beginning of Year	<u>2,148,361.89</u>	<u>2,148,361.89</u>	<u>2,659,821.72</u>	(4)	<u>2,036,692.38</u>	<u>4,696,514.10</u>
Fund Balances - End of Year	<u>\$ 1,475,293.08</u>	<u>\$ 1,321,103.08</u>	<u>\$ 3,699,205.61</u>		<u>\$ 1,911,292.76</u>	<u>\$ 5,610,498.37</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2023***

**Explanation of Differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:**

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

(1) Revenues			
Sales Tax Administration Fund	\$	1,090,913.41	
Public Roads, Buildings and Bridges		731,348.64	
Reappraisal (Before 1975)		77.56	
Program on Aging Fund		80,311.19	
Fuel System Fund		621,958.97	
		<u>621,958.97</u>	\$ 2,524,609.77
(2) Expenditures			
Sales Tax Administration Fund	\$	(24.97)	
Public Roads, Buildings and Bridges		(748,028.70)	
Program on Aging Fund		(169,581.99)	
Fuel System Fund		(573,463.50)	
		<u>(573,463.50)</u>	(1,491,099.16)
(3) Other Financing Sources/(Uses), Net			
Sales Tax Administration Fund	\$	(658,910.23)	
Public Roads, Buildings and Bridges		(500,000.00)	
		<u>(500,000.00)</u>	<u>(1,158,910.23)</u>
Net Decrease in Fund Balance - Budget to GAAP			<u>\$ (125,399.62)</u>

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

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Gasoline Tax Fund***  
***For the Year Ended September 30, 2023***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Intergovernmental	\$ 3,182,772.14	\$ 3,182,772.14	\$ 2,502,550.89	(1) \$ 2,218,353.72	\$ 4,720,904.61
Miscellaneous	155,200.00	155,200.00	97,562.23	(1) 57.46	97,619.69
Total Revenues	<u>3,337,972.14</u>	<u>3,337,972.14</u>	<u>2,600,113.12</u>	<u>2,218,411.18</u>	<u>4,818,524.30</u>
<b>Expenditures</b>					
Current:					
Highways and Roads	3,696,514.40	3,696,514.40	3,118,906.09	(2) 1,617,532.36	4,736,438.45
Capital Outlay	101,000.00	101,000.00	48,700.00		48,700.00
Debt Service:					
Principal	159,958.34	159,958.34	121,403.09		121,403.09
Interest	16,082.53	16,082.53	10,763.47		10,763.47
Total Expenditures	<u>3,973,555.27</u>	<u>3,973,555.27</u>	<u>3,299,772.65</u>	<u>1,617,532.36</u>	<u>4,917,305.01</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(635,583.13)</u>	<u>(635,583.13)</u>	<u>(699,659.53)</u>	<u>600,878.82</u>	<u>(98,780.71)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	1,172,913.47	1,172,913.47	500,000.00		500,000.00
Transfers Out	(1,172,913.47)	(1,172,913.47)			
Total Other Financing Sources (Uses)			<u>500,000.00</u>		<u>500,000.00</u>
Net Changes in Fund Balances	(635,583.13)	(635,583.13)	(199,659.53)	(3) 600,878.82	401,219.29
Fund Balances - Beginning of Year	<u>647,386.00</u>	<u>647,386.00</u>	<u>459,284.61</u>	<u>1,009,604.39</u>	<u>1,468,889.00</u>
Fund Balances - End of Year	<u>\$ 11,802.87</u>	<u>\$ 11,802.87</u>	<u>\$ 259,625.08</u>	<u>\$ 1,610,483.21</u>	<u>\$ 1,870,108.29</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Gasoline Tax Fund***  
***For the Year Ended September 30, 2023***

**Explanation of Differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:**

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

(1) Revenues			
Public Highway and Traffic Fund	\$	206,958.23	
RRR Gasoline Tax Fund		834,168.50	
Secondary Road Fund		278,859.73	
Rebuild Alabama Fund		<u>898,424.72</u>	\$ 2,218,411.18
(2) Expenditures			
RRR Gasoline Tax Fund	\$	(1,091,468.74)	
Rebuild Alabama Fund		<u>(526,063.62)</u>	<u>(1,617,532.36)</u>
Net Decrease in Fund Balance - Budget to GAAP			<u>\$ 600,878.82</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 - Reappraisal Fund***  
***For the Year Ended September 30, 2023***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 830,431.50	\$ 830,431.50	\$ 690,179.24	\$	\$ 690,179.24
Total Revenues	830,431.50	830,431.50	690,179.24		690,179.24
<b>Expenditures</b>					
Current:					
General Government	782,431.50	782,431.50	690,179.24		690,179.24
Capital Outlay	48,000.00	48,000.00			
Total Expenditures	830,431.50	830,431.50	690,179.24		690,179.24
Excess (Deficiency) of Revenues Over Expenditures					
Net Change in Fund Balances					
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$	\$	\$	\$	\$

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - American Rescue Plan Act Fund  
For the Year Ended September 30, 2023***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Intergovernmental	\$	\$	\$ 1,396,130.74	\$	\$ 1,396,130.74
Miscellaneous			2,563.64		2,563.64
Total Revenues			1,398,694.38		1,398,694.38
<b>Expenditures</b>					
Current:					
General Government	379,427.41	379,427.41	128,615.16		128,615.16
Public Safety	259,098.56	259,098.56	142,826.57		142,826.57
Highways and Roads	84,163.85	84,163.85	38,601.34		38,601.34
Sanitation	80,663.64	80,663.64	41,197.49		41,197.49
Health	4,977.80	4,977.80	2,639.26		2,639.26
Welfare	20,892.22	20,892.22	11,070.98		11,070.98
Culture and Recreation	4,537.80	4,537.80	2,269.20		2,269.20
Capital Outlay	3,431,305.00	3,431,305.00	1,028,910.74		1,028,910.74
Total Expenditures	4,265,066.28	4,265,066.28	1,396,130.74		1,396,130.74
Excess (Deficiency) of Revenues Over Expenditures	(4,265,066.28)	(4,265,066.28)	2,563.64		2,563.64
Net Change in Fund Balances	(4,265,066.28)	(4,265,066.28)	2,563.64		2,563.64
Fund Balances - Beginning of Year	4,938,691.20	4,938,691.20	2,046.78		2,046.78
Fund Balances - End of Year	\$ 673,624.92	\$ 673,624.92	\$ 4,610.42	\$	\$ 4,610.42

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>				
<b><u>Passed Through the Alabama Department of Finance</u></b>				
Schools and Roads - Grants to States	10.665	N/A	\$ 77,710.28	\$ 155,420.57
<b><u>U. S. Department of Interior</u></b>				
<b><u>Direct Program</u></b>				
Payments in Lieu of Taxes	15.226	N/A		189,227.00
<b><u>U. S. Department of Justice</u></b>				
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>				
Violence Against Women Formula Grants	16.588	N/A		78,181.79
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A		55,410.00
Total U. S. Department of Justice				<u>133,591.79</u>
<b><u>U. S. Department of Transportation</u></b>				
<b><u>Passed Through Alabama Department of Transportation</u></b>				
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs and COVID-19 Airports Programs	20.106	N/A		130,738.98
COVID-19 Airport Improvement Program, Infrastructure Investment and Jobs Act Programs and COVID-19 Airports Programs	20.106	3-01-0108-013-2020		<u>30,000.00</u>
Sub-Total Airport Improvement Program, Infrastructure Investment and Jobs Act Programs and COVID-19 Airports Programs				160,738.98
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A		341,586.00
<b><u>Passed Through Franklin County Commission</u></b>				
State and Community Highway Safety	20.600	N/A		3,643.81
Total U. S. Department of Transportation				<u>505,968.79</u>
<b><u>U. S. Department of Treasury</u></b>				
<b><u>Direct Program</u></b>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027			<u>1,396,130.74</u>
Sub-Total Forward			\$ 77,710.28	\$ 2,380,338.89

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipient	Total Federal Expenditures
Sub-Total Brought Forward			\$ 77,710.28	\$ 2,380,338.89
<b><u>U. S. Department of Health and Human Services</u></b>				
<b><u>Passed Through North Alabama Regional Council of Local Governments</u></b>				
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	N/A		8,797.70
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	N/A		49,000.00
Total U. S. Department of Health and Human Services				<u>57,797.70</u>
<b><u>U. S. Department of Homeland Security</u></b>				
<b><u>Passed Through Alabama Emergency Management Agency</u></b>				
Emergency Management Performance Grants	97.042	23 EMF		28,188.00
Emergency Management Performance Grants	97.042	21 EMSP		768.00
Sub-Total Emergency Management Performance Grant				<u>28,956.00</u>
<b><u>U. S. General Services Administration</u></b>				
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>				
Donation of Federal Surplus Personal Property (Non-Cash)	39.003	N/A		7,564.79
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>				
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	CV-NC-20-009		109,302.72
<b><u>Other Federal Assistance</u></b>				
<b><u>Tennessee Valley Authority</u></b>				
<b><u>Passed Through Alabama Emergency Management Agency</u></b>				
Radiological Emergency Plans	62.unknown	N/A		177,072.00
Total Expenditures of Federal Awards			<u>\$ 77,710.28</u>	<u>\$ 2,761,032.10</u>

N/A - Not Applicable/Not Available

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, 2023***

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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 Lawrence County Commission under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Lawrence County Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Lawrence County Commission.

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

The Lawrence County Commission has not elected to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

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*Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2022 through September 30, 2023***

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<b>Commission Members</b>		<b>Term Expires</b>
Hon. Jesse Byrd (*)	Member	November 2022
Hon. Amard Martin	Member	November 2026
Hon. Norman Pool (**)	Member	November 2026
Hon. Kyle Pankey	Member	November 2026
Hon. Bobby Burch (***)	Member	November 2026
Hon. Sonia Hargrove	Member	November 2022
Hon. Nathan Kitchens	Member	November 2026

**Administrative Personnel**

Heather Rose	County Administrator	Indefinite
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(\*) Chairman from March 2022 through November 2022.

(\*\*) Chairman from September 2023 through July 2024.

(\*\*\*) Chairman from November 2022 through September 2023.

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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 Lawrence County Commission and County Administrator  
Moulton, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawrence County Commission, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Lawrence County Commission's basic financial statements, and have issued our report thereon dated December 16, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lawrence County Commission's internal control over financial reporting (internal control) 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 Lawrence County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lawrence County Commission's internal control.

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

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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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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as Finding 2023-001 that we consider to be a material weakness.

***Report on Compliance and Other Matters***

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

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

***Government Auditing Standards*** requires the auditor to perform limited procedures on the Lawrence County Commission's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Lawrence County Commission's response to the finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Lawrence County Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

December 16, 2024

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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 Lawrence Commission and County Administrator  
Moulton, Alabama

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

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

We have audited the Lawrence County Commission's compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Lawrence County Commission's major federal program for the year ended September 30, 2023. The Lawrence County Commission's major federal program is identified in the Summary of Examiner's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Lawrence County Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***); 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)***. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Lawrence County Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Lawrence County Commission's compliance with the compliance requirements referred to above.

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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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## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Lawrence County Commission's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Lawrence County Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Lawrence County Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance*, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Lawrence County Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ obtain an understanding of the Lawrence County Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Lawrence County Commission's internal control over compliance. Accordingly, no such opinion is expressed.

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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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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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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

December 16, 2024

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2023***

**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?

  X   Yes           No

Significant deficiency(ies) identified?

       Yes      X   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:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

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, 2023***

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

**Reference Number:** 2023-001  
**Type of Finding:** Internal Control  
**Internal Control Impact:** Material Weakness  
**Compliance Impact:** None

**The Commission failed to properly record all financial transactions.**

**Finding 2023-001**

Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records and accurate financial statements to be prepared. Deferred inflows of resources related to net pension liability were understated by \$2,270,593 and deferred outflows of resources related to net pension liability were overstated by \$2,270,593.00. This resulted in Net Position being misstated by \$4,541,186.00. The Commission did not have adequate procedures in place to ensure all financial amounts were properly recorded and financial statements were accurately prepared. As a result, material adjustments were necessary to properly reflect all transactions in the financial statements. The management of the Commission was notified of these errors and made adjusting entries to correct the financial statements.

**Recommendation**

The Commission should ensure that all financial activity is properly recorded in the accounting records and that accurate financial statements are prepared.

**Views of Responsible Officials of the Auditee**

The Commission agrees with this finding.

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

No matters were reportable.

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*Auditee Response/Corrective Action Plan*

Amard Martin, District 1  
Norman Pool, District 2  
Kyle Pankey, District 3  
Bobby Burch, District 4  
Nathan Kitchens, District 5



Heather Rose Administrator  
Mechelle Graham, Accountant  
Telephone: 256.974.0663  
Fax: 256.974-2403

## LAWRENCE COUNTY COMMISSION

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

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### *Auditee Response/Corrective Action Plan*

#### *For the Year Ended September 30, 2023*

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As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the Lawrence 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, 2023.

**Finding  
Ref.  
No.**

**Corrective Action Plan Details**

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**2023-001**

***Finding:***

Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records and accurate financial statements to be prepared. Deferred inflows of resources related to net pension liability were understated by \$2,270,593 and deferred outflows of resources related to net pension liability were overstated by \$2,270,593.00. This resulted in Net Position being misstated by \$4,541,186.00. The Commission did not have adequate procedures in place to ensure all financial amounts were properly recorded and financial statements were accurately prepared. As a result, material adjustments were necessary to properly reflect all transactions in the financial statements. The management of the Commission was notified of these errors and made adjusting entries to correct the financial statements.

***Recommendation:***

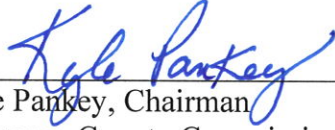
The Commission should ensure that all financial activity is properly recorded in the accounting records and that accurate financial statements are prepared.

***Response/Views:*** We agree with the finding.

***Corrective Action Planned:*** The Commission personnel will review the financial statements to ensure that amounts are materially correct as presented before the beginning of the audit.

***Anticipated Completion Date:*** Immediately

***Contact Person(s):*** Heather Rose or Mechelle Graham



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Kyle Pankey, Chairman  
Lawrence County Commission