

Report on the

Morgan County Commission

Morgan County, Alabama

October 1, 2019 through September 30, 2020

Filed: March 18, 2022



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

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

Respectfully submitted,

Allie Freeman
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Morgan County Commission October 1, 2019 through September 30, 2020

The Morgan County Commission (the "Commission") is governed by a five-member body elected by the citizens of Morgan County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 19. 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 Morgan County.

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

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

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

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 19, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Ray Long, Chairman of the Morgan County Commission; Julie M. Reeves, County Administrator; and Commissioners: Jeff Clark, Don Stisher, Greg Abercrombie, and Randy Vest. Representing the Department of Examiners of Public Accounts were: Denise H. Olive, Audit Manager; Isabelle Lisenby, Audit Manager; and Allie Freeman, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Morgan County Commission and County Administrator
Decatur, Alabama

Report on the Financial Statements

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 Morgan County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Morgan County Commission as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedule of Changes in the Employer's Net 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 17), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

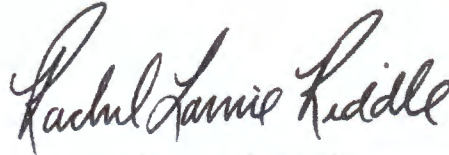
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morgan County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 18), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 24, 2022, on our consideration of the Morgan County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Morgan 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 Morgan County Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rachel Laurie Riddle". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

February 24, 2022

Basic Financial Statements

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 24,709,872.70	\$ 2,500,136.88	\$ 27,210,009.58
Ad Valorem Taxes Receivable	17,481,476.09		17,481,476.09
Receivables (Note 4)	4,684,742.49	235,695.26	4,920,437.75
Prepaid Items	67,799.44		67,799.44
Total Current Assets	46,943,890.72	2,735,832.14	49,679,722.86
<u>Noncurrent Assets</u>			
Restricted Cash with Fiscal Agent	350,272.22		350,272.22
Capital Assets (Note 5):			
Nondepreciable	3,205,512.43	124,616.35	3,330,128.78
Depreciable, Net	59,741,072.23	2,800,599.97	62,541,672.20
Total Noncurrent Assets	63,296,856.88	2,925,216.32	66,222,073.20
Total Assets	110,240,747.60	5,661,048.46	115,901,796.06
<u>Deferred Outflows of Resources</u>			
Employer Pension Contributions	1,007,702.29	37,200.62	1,044,902.91
Deferred Outflows Related to Net Pension Liability	1,245,536.85	49,862.15	1,295,399.00
Deferred Outflows Related to Other Postemployment Benefits (OPEB) Liability	1,559,979.84	64,999.16	1,624,979.00
Total Deferred Outflows of Resources	3,813,218.98	152,061.93	3,965,280.91
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Payables (Note 8)	1,816,445.16	126,090.27	1,942,535.43
Unearned Revenue	55,152.41		55,152.41
Accrued Interest Payable	220,426.28		220,426.28
Accrued Wages Payable	780,533.11	30,432.57	810,965.68
Estimated Claims Cost Payable	237,315.63	13,705.36	251,020.99
Long-Term Liabilities:			
Portion Payable Within One Year:			
Warrants Payable	1,910,000.00		1,910,000.00
Capital Leases Payable	254,426.46		254,426.46
Note from Direct Borrowing	21,538.56		21,538.56
Premium on Bond Issuance	209,956.06		209,956.06
Estimated Liability for Compensated Absences	377,632.94	9,847.56	387,480.50
Total Current Liabilities	\$ 5,883,426.61	\$ 180,075.76	\$ 6,063,502.37

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
<u>Noncurrent Liabilities</u>			
Portion Payable After One Year:			
Warrants Payable	\$ 19,495,000.00	\$	\$ 19,495,000.00
Capital Leases Payable	223,888.04		223,888.04
Note from Direct Borrowing	27,475.59		27,475.59
Estimated Liability for Compensated Absences	838,594.62	29,040.21	867,634.83
Premium on Bond Issuance	1,891,998.11		1,891,998.11
Other Postemployment Benefits (OPEB) Liability	8,547,811.21	386,557.80	8,934,369.01
Net Pension Liability	10,033,835.12	385,035.88	10,418,871.00
Total Noncurrent Liabilities	41,058,602.69	800,633.89	41,859,236.58
Total Liabilities	46,942,029.30	980,709.65	47,922,738.95
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	17,481,476.09		17,481,476.09
Revenue Received in Advance - Motor Vehicle Taxes	822,758.46		822,758.46
Deferred Inflows Related to Net Pension Liability	1,095,443.84	34,210.16	1,129,654.00
Deferred Inflows Related to Other Postemployment Benefits (OPEB) Liability	278,467.20	11,602.80	290,070.00
Total Deferred Inflows of Resources	19,678,145.59	45,812.96	19,723,958.55
<u>Net Position</u>			
Net Investment in Capital Assets	41,014,256.01	2,925,216.32	43,939,472.33
Restricted for:			
Debt Service	161,168.99		161,168.99
Law Enforcement	78,401.38		78,401.38
Highways and Roads	1,811,300.76		1,811,300.76
Capital Projects	2,207,512.37		2,207,512.37
Other Purposes	3,067,146.53		3,067,146.53
Unrestricted	(905,994.35)	1,861,371.46	955,377.11
Total Net Position	\$ 47,433,791.69	\$ 4,786,587.78	\$ 52,220,379.47

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

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 10,416,803.03	\$ 5,405,980.68	\$ 309,532.89	\$ 584,746.77	\$ (4,116,542.69)	\$	\$ (4,116,542.69)
Public Safety	21,424,003.29	1,681,015.23	8,379,768.91	61,048.00	(11,302,171.15)		(11,302,171.15)
Highways and Roads	9,187,796.20	180,493.44	4,029,053.27	1,811,819.30	(3,166,430.19)		(3,166,430.19)
Sanitation	206,415.16	226,005.53			19,590.37		19,590.37
Health	372,978.47	76,874.00	1,016,806.85		720,702.38		720,702.38
Welfare	689,856.94		45,250.00		(644,606.94)		(644,606.94)
Culture and Recreation	1,425,058.75	157,176.27		65,000.00	(1,202,882.48)		(1,202,882.48)
Education	49,501.80		1,852,653.75		1,803,151.95		1,803,151.95
Interest and Fiscal Charges	941,951.85				(941,951.85)		(941,951.85)
Total Governmental Activities	44,714,365.49	7,727,545.15	15,633,065.67	2,522,614.07	(18,831,140.60)		(18,831,140.60)
Business-Type Activities:							
Environmental Services	3,136,114.60	3,083,122.91	7,791.04			(45,200.65)	(45,200.65)
Total Business-Type Activities	3,136,114.60	3,083,122.91	7,791.04			(45,200.65)	(45,200.65)
Total Primary Government	\$ 47,850,480.09	\$ 10,810,668.06	\$ 15,640,856.71	\$ 2,522,614.07	(18,831,140.60)	(45,200.65)	(18,876,341.25)
General Revenues:							
Taxes:							
Property Taxes for General Purposes					11,837,696.68		11,837,696.68
Property Taxes for Specific Purposes					7,432,036.42		7,432,036.42
TVA Payments In-Lieu of Taxes					2,398,892.81		2,398,892.81
Miscellaneous Taxes					879,754.28		879,754.28
Grants and Contributions Not Restricted for Specific Programs					980,493.96		980,493.96
Investment Earnings					175,827.60	17,376.88	193,204.48
Sale of Scrap Equipment						10,505.20	10,505.20
Gain on Disposal of Assets					5,740.14		5,740.14
Miscellaneous					892,465.24	2,071.02	894,536.26
Total General Revenues					24,602,907.13	29,953.10	24,632,860.23
Changes in Net Position					5,771,766.53	(15,247.55)	5,756,518.98
Net Position - Beginning of Year					41,662,025.16	4,801,835.33	46,463,860.49
Net Position - End of Year					\$ 47,433,791.69	\$ 4,786,587.78	\$ 52,220,379.47

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

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents	\$ 13,833,025.87	\$ 1,066,447.03	\$ 9,810,399.80	\$ 24,709,872.70
Cash with Fiscal Agent			350,272.22	350,272.22
Ad Valorem Taxes Receivable	16,260,000.00		1,221,476.09	17,481,476.09
Receivables (Note 4)	3,055,435.71	254,144.18	1,375,162.60	4,684,742.49
Interfund Receivables	174,503.62		14,235.11	188,738.73
Prepaid Items	31,202.91		36,596.53	67,799.44
Total Assets	33,354,168.11	1,320,591.21	12,808,142.35	47,482,901.67
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Payables (Note 8)	965,009.73	204,506.98	646,928.45	1,816,445.16
Interfund Payables			188,738.73	188,738.73
Unearned Revenue	5,796.29		49,356.12	55,152.41
Accrued Wages Payable	628,197.32	91,623.31	60,712.48	780,533.11
Estimated Claims Cost Payable	194,342.77	26,169.49	16,803.37	237,315.63
Total Liabilities	1,793,346.11	322,299.78	962,539.15	3,078,185.04
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	16,260,000.00		1,221,476.09	17,481,476.09
Revenue Received in Advance - Motor Vehicle Taxes	822,758.46			822,758.46
Total Deferred Inflows of Resources	17,082,758.46		1,221,476.09	18,304,234.55
<u>Fund Balances</u>				
Nonspendable:				
Prepaid Items	31,202.91		36,596.53	67,799.44
Restricted for:				
Debt Service			381,595.27	381,595.27
Capital Projects			2,207,512.37	2,207,512.37
Highways and Roads			1,774,704.23	1,774,704.23
Law Enforcement			78,401.38	78,401.38
Other Purposes			3,067,146.53	3,067,146.53
Assigned to:				
Debt Service			2,174,965.99	2,174,965.99
Highways and Roads		998,291.43		998,291.43
Other Purposes			10,019.96	10,019.96
Unassigned	14,446,860.63		893,184.85	15,340,045.48
Total Fund Balances	14,478,063.54	998,291.43	10,624,127.11	26,100,482.08
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 33,354,168.11	\$ 1,320,591.21	\$ 12,808,142.35	\$ 47,482,901.67

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

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 26,100,482.08

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

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

The Cost of Capital Assets is	\$ 106,522,801.78	
Accumulated Depreciation is	<u>(43,576,217.12)</u>	62,946,584.66

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

	Due Within One Year	Due After One Year	
Warrants Payable	\$ (1,910,000.00)	\$ (19,495,000.00)	
Capital Leases Payable	(254,426.46)	(223,888.04)	
Note from Direct Borrowing	(21,538.56)	(27,475.59)	
Compensated Absences	(377,632.94)	(838,594.62)	
Unamortized Premium	(209,956.06)	(1,891,998.11)	
Other Postemployment Benefits Obligation		(8,547,811.21)	
Net Pension Liability		<u>(10,033,835.12)</u>	
Total Long-Term Liabilities	\$ (2,773,554.02)	\$ (41,058,602.69)	(43,832,156.71)

Deferred Outflows and Inflows of Resources related to the pension plan are applicable
to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Defined Benefit Pension Plan	\$ 2,253,239.14	
Deferred Inflows Related to Defined Benefit Pension Plan	<u>(1,095,443.84)</u>	1,157,795.30

Deferred Outflows and Inflows of Resources related to the OPEB are applicable
to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Other Postemployment Benefits (OPEB)	\$ 1,559,979.84	
Deferred Inflows Related to Other Postemployment Benefits (OPEB)	<u>(278,467.20)</u>	1,281,512.64

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

Interest on long-term debt is not accrued in the governmental funds but rather is recognized as an expenditure when due.

Accrued Interest Payable	<u>(220,426.28)</u>
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Total Net Position - Governmental Activities (Exhibit 1)	<u><u>\$ 47,433,791.69</u></u>
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Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$ 21,036,483.16	\$	\$ 1,511,897.03	\$ 22,548,380.19
Licenses and Permits	243,067.84		3,428.00	246,495.84
Intergovernmental	5,029,207.54	2,082,185.19	6,695,854.85	13,807,247.58
Charges for Services	6,625,169.77		5,820,367.23	12,445,537.00
Miscellaneous Revenue	998,830.45	9,805.29	212,664.47	1,221,300.21
Total Revenues	33,932,758.76	2,091,990.48	14,244,211.58	50,268,960.82
<u>Expenditures</u>				
Current:				
General Government	7,962,652.09		1,529,025.49	9,491,677.58
Public Safety	13,610,606.77		6,677,890.03	20,288,496.80
Highway and Roads	1,034,849.38	4,034,450.02	2,955,695.93	8,024,995.33
Sanitation	190,918.04			190,918.04
Health	365,638.83			365,638.83
Welfare	520,757.25			520,757.25
Culture and Recreation	1,019,573.02		238,701.41	1,258,274.43
Education	49,501.80			49,501.80
Capital Outlay	422,650.55	257,122.36	1,169,365.67	1,849,138.58
Debt Service:				
Principal Retirement	285,062.62	7,373.82	1,925,000.00	2,217,436.44
Interest and Fiscal Charges	14,630.34	1,068.98	844,476.86	860,176.18
Debt Issuance Costs			206,147.37	206,147.37
Total Expenditures	25,476,840.69	4,300,015.18	15,546,302.76	45,323,158.63
Excess (Deficiency) of Revenues Over Expenditures	8,455,918.07	(2,208,024.70)	(1,302,091.18)	4,945,802.19
<u>Other Financing Sources (Uses)</u>				
Long-Term Debt Issued			14,035,000.00	14,035,000.00
Transfers In		1,672,117.22	2,781,005.77	4,453,122.99
Proceeds from Sale of Capital Assets	12,030.64	15,431.00	1,475.00	28,936.64
Proceeds from Capital Lease Inception		189,083.40		189,083.40
Premium on Debt Issued			2,164,663.85	2,164,663.85
Payments to Refunding Escrow Agent			(15,845,000.00)	(15,845,000.00)
Transfers Out	(4,382,586.22)	(70,536.77)		(4,453,122.99)
Total Other Financing Sources (Uses)	(4,370,555.58)	1,806,094.85	3,137,144.62	572,683.89
Net Changes in Fund Balances	4,085,362.49	(401,929.85)	1,835,053.44	5,518,486.08
Fund Balances - Beginning of Year	10,392,701.05	1,400,221.28	8,789,073.67	20,581,996.00
Fund Balances - End of Year	\$ 14,478,063.54	\$ 998,291.43	\$ 10,624,127.11	\$ 26,100,482.08

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

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

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 5,518,486.08

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

Capital outlays to purchase or build capital assets are reported in the governmental funds
as expenditures. However, in the Statement of Activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense. This is the
amount by which depreciation expense exceeds capital outlays in the period.

Capital Outlays	\$ 1,849,138.58	
Depreciation Expense	<u>(3,032,510.00)</u>	(1,183,371.42)

In the Statement of Activities, gains and losses on the sale of capital assets are reported,
whereas in the governmental funds, the proceeds from the sale increase the financial
resources. Thus, the change in net position differs from the change in fund balance by
the cost of capital assets (21,721.50)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces
long-term liabilities in the Statement of Net Position and does not affect the Statement
of Activities. 2,217,436.44

Premiums on debt issuance are recorded as financing uses/expenditures in the
governmental funds, but are deferred and amortized in the Statement of Activities. (2,164,663.85)

Proceeds from the issuance of debt are reported as financing sources in governmental
funds and thus contribute to the change in fund balance. Issuing long-term debt
increases liabilities in the Statement of Net Position but does not affect the
Statement of Activities. (14,224,083.40)

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

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 Changes in Compensated Absences	\$	(142,256.63)	
Net Changes in Interest Payable		124,371.70	
Amortization of Bond Premiums		209,956.06	
Net Changes in Pension Expenses		(35,144.74)	
Net Changes in Other Postemployment Benefits (OPEB) Obligation		<u>(372,242.21)</u>	(215,315.82)

Payments to refunding escrow agent are recorded as other financing uses in the governmental funds, but reduce long-term liabilities in the Statement of Net Position.		<u>15,845,000.00</u>
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Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ 5,771,766.53</u></u>
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Statement of Net Position
Proprietary Fund
September 30, 2020

	Enterprise Fund Environmental Services Fund
<u>Assets</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 2,500,136.88
Receivables (Note 4)	235,695.26
Total Current Assets	<u>2,735,832.14</u>
<u>Noncurrent Assets</u>	
Capital Assets (Note 5):	
Nondepreciable	124,616.35
Depreciable, Net	2,800,599.97
Total Noncurrent Assets	<u>2,925,216.32</u>
Total Assets	<u>5,661,048.46</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contributions	37,200.62
Deferred Outflows Related to Net Pension Liability	49,862.15
Deferred Outflows Related to OPEB Liability	64,999.16
Total Deferred Outflows of Resources	<u>152,061.93</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Payables (Note 8)	126,090.27
Accrued Wages Payable	30,432.57
Estimated Liability for Compensated Absences	9,847.56
Estimated Claims Costs Liability	13,705.36
Total Current Liabilities	<u>180,075.76</u>
<u>Noncurrent Liabilities</u>	
Estimated Liability for Compensated Absences	29,040.21
Net Pension Liability	385,035.88
Other Postemployment Benefit Liability	386,557.80
Total Noncurrent Liabilities	<u>800,633.89</u>
Total Liabilities	<u>\$ 980,709.65</u>

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

	<u>Enterprise Fund</u> <u>Environmental</u> <u>Services Fund</u>
<hr/>	
<u>Deferred Inflows of Resources</u>	
Deferred Inflows Related to Net Pension Liability	\$ 34,210.16
Deferred Inflows Related to OPEB Liability	11,602.80
Total Deferred Inflows of Resources	<u>45,812.96</u>
 <u>Net Position</u>	
Net Investment in Capital Assets	2,925,216.32
Unrestricted	<u>1,861,371.46</u>
 Total Net Position	 <u>\$ 4,786,587.78</u>

Statement of Revenues, Expenditures and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2020

	Enterprise Fund Environmental Services Fund
<u>Operating Revenues</u>	
Charges for Services	\$ 3,083,122.91
Total Operating Revenues	<u>3,083,122.91</u>
<u>Operating Expenses</u>	
Salaries and Benefits	941,748.56
Contractual and Professional Services	357,087.58
Materials and Supplies	225,571.06
Repairs and Maintenance	112,320.85
Rentals	7,272.70
Utilities	17,630.10
Insurance	26,233.93
Depreciation	663,041.12
Landfill Expenses	603,508.14
Miscellaneous	124,171.36
Total Operating Expenses	<u>3,078,585.40</u>
Operating Income (Loss)	<u>4,537.51</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest Revenue	17,376.88
Sale of Scrap Equipment	12,576.22
Gain/(Loss) on Disposal of Capital Assets	(57,529.20)
Miscellaneous Revenue	7,791.04
Total Nonoperating Revenues (Expenses)	<u>(19,785.06)</u>
Change in Net Position	(15,247.55)
Total Net Position - Beginning of Year	<u>4,801,835.33</u>
Total Net Position - End of Year	<u>\$ 4,786,587.78</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, 2020

	Enterprise Fund Environmental Services Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 3,072,854.92
Payments to Suppliers	(1,439,002.80)
Payments to Employees	(856,188.02)
Net Cash Provided by Operating Activities	<u>777,664.10</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(585,410.83)
Sale of Scrap Equipment	12,576.22
Sale of Capital Assets	72,861.00
Net Cash Provided by Capital and Related Financing Activities	<u>(499,973.61)</u>
<u>Cash Flows from Investing Activities</u>	
Interest and Dividends	17,376.88
Net Cash Provided by Investing Activities	<u>17,376.88</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Other Cash Receipts	7,791.04
Net Cash Provided by Noncapital Financing Activities	<u>7,791.04</u>
Net Increase (Decrease) in Cash and Cash Equivalents	302,858.41
Cash and Cash Equivalents - Beginning of Year	2,197,278.47
Cash and Cash Equivalents - End of Year	<u><u>2,500,136.88</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	4,537.51
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>	
Depreciation Expense	663,041.12
Change in:	
Receivables	(10,267.99)
Payables	34,792.92
Accrued Wages Payable	7,195.72
Estimated Liability for Compensated Absences	3,001.28
Estimated Claim Costs Liability	7,302.83
Net Pension Liability	(1,109.08)
Net Other Postemployment Benefit Obligation	69,169.79
Net Cash Provided by Operating Activities	<u><u>\$ 777,664.10</u></u>

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

Statement of Fiduciary Net Position
September 30, 2020

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash	\$ 524,444.85	\$ 9,243,582.36
Receivables (Note 4)	2,030.89	1,454,651.45
Total Assets	<u>526,475.74</u>	<u>10,698,233.81</u>
<u>Liabilities</u>		
Payables (Note 8)	30,952.93	10,698,233.81
Total Liabilities	<u>30,952.93</u>	<u>\$ 10,698,233.81</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	495,522.81	
Total Net Position	<u>\$ 495,522.81</u>	

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

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2020

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Contributions from:	
Local Taxes and Fees	\$ 83,632.24
Interest Earned	74.65
Miscellaneous	235,398.32
Total Additions	<u>319,105.21</u>
<u>Deductions</u>	
Administrative Expenses	<u>264,072.97</u>
Total Deductions	<u>264,072.97</u>
Change in Net Position	55,032.24
Net Position - Beginning of Year	<u>440,490.57</u>
Net Position - End of Year	<u><u>\$ 495,522.81</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 also used to report expenditures for building and maintaining public buildings, roads and bridges. Also, accounted for in the General Fund is employee health insurance to self-insure the Commission against liability claims.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of the seven-cent state gasoline tax revenue for construction, improvement, maintenance, and supervision of highways, bridges, and streets.

The Commission reports the following major enterprise fund:

- ◆ **Environmental Services 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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 nonoperating 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 and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the Statement of Cash Flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

2. Receivables

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, as well as amounts due from the State for taxes and cost-sharing.

Receivables in enterprise funds consist primarily of amounts due from customers who are charged fees for services provided by the Commission.

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable debt covenants. The debt service funds are used to segregate resources accumulated for debt service payments.

5. Capital Assets

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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	\$ 5,000	20 – 40 Years
Equipment and Furniture	\$ 5,000	5 – 20 Years
Roads	\$250,000	20 – 40 Years
Bridges	\$ 50,000	20 – 40 Years

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

6. Deferred Outflows of Resources

Deferred outflows of resources are reported in the government-wide financial statements 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.

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. Bond/Warrant premiums and discounts are deferred and amortized over the life of the bonds/warrants. Bonds/Warrants payable are reported gross with the applicable bond/warrant premium or discount reported separately. Bond/Warrant issuance costs are reported as an expense in the period incurred.

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

8. Compensated Absences

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

Annual Leave

For the first through the fourth year each employee is credited 13 days of annual leave. The fifth to ninth years an employee earns 16.25 days of annual leave per year. The tenth through fourteenth years an employee earns 19.50 days per year. The fifteenth through the nineteenth years an employee earns 22.75 days of annual leave per year. Upon completion of the nineteenth year, an employee is credited with 26 days per year and each year thereafter. Unused annual leave credits may be accumulated and carried over into successive calendar years up to a maximum aggregate of 240 hours. Upon separation or retirement, employees are paid for all accrued annual leave.

Sick Leave

Sick leave benefits with pay are provided for permanent full-time employees in the amount of 9 workdays per fiscal year. Sick leave benefits are accrued by all non-probationary permanent full-time employees at a rate of 2.77 hours per pay period and credited each pay period. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees. There is no limit on the number of hours an employee may accrue. All unused sick leave is forfeited upon separation and is not compensated to the employee.

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act and is provided to permanent full-time employees to compensate for periods of work outside of normal working hours for which the employee has not received compensation. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Unused compensatory leave can be carried over 120 days, at the end of which, if not used is paid out at the overtime rate.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorizes the Commission Chairman or County Administrator to make a determination of the assigned amount 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.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

E. Pensions

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

F. Postemployment Benefits Other Than Pensions (OPEB)

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

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

Note 3 – 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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 4 – Receivables

On September 30, 2020, receivables for the Commission's individual major funds, other governmental funds and fiduciary funds in the aggregate are as follows:

Governmental Funds	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Receivables:</u>				
Intergovernmental	\$2,928,318.59	\$253,811.35	\$1,370,662.60	\$4,552,792.54
Other Receivables	127,117.12	332.83	4,500.00	131,949.95
Total Receivables	<u>\$3,055,435.71</u>	<u>\$254,144.18</u>	<u>\$1,375,162.60</u>	<u>\$4,684,742.49</u>

Proprietary Fund	Environmental Services Fund
<u>Receivables:</u>	
Accounts Receivable	\$235,695.26
Total Receivables	<u>\$235,695.26</u>

Fiduciary Funds	Private-Purpose Trust Funds	Agency Funds
<u>Receivables:</u>		
Intergovernmental	\$2,030.89	\$1,447,848.29
Other Receivables		6,803.16
Total Receivables	<u>\$2,030.89</u>	<u>\$1,454,651.45</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 5 – Capital Assets

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

	Balance 10/01/2019	Additions/ Reclassifications (*)	Deletions/ Reclassifications (*)	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,010,199.11	\$ 35,437.50	\$	\$ 3,045,636.61
Infrastructure in Progress	320,091.79	614,317.88	(934,409.67)	
Construction in Progress	356,033.09	176,847.47	(373,004.74)	159,875.82
Total Capital Assets, Not Being Depreciated	3,686,323.99	826,602.85	(1,307,414.41)	3,205,512.43
Capital Assets Being Depreciated:				
Infrastructure	31,164,743.19	946,209.67		32,110,952.86
Buildings	50,607,483.64	44,861.80	(309,930.00)	50,342,415.44
Improvements Other Than Buildings	3,557,701.31	274,177.29		3,831,878.60
Equipment and Furniture	15,909,750.40	1,063,165.85	(599,721.92)	16,373,194.33
Assets Under Capital Lease	631,475.09	507,626.32	(480,253.29)	658,848.12
Total Capital Assets Being Depreciated	101,871,153.63	2,836,040.93	(1,389,905.21)	103,317,289.35
Less Accumulated Depreciation for:				
Infrastructure	(8,000,415.79)	(715,073.66)		(8,715,489.45)
Buildings	(18,278,739.89)	(1,121,368.24)	262,371.00	(19,137,737.13)
Improvements Other Than Buildings	(1,615,858.02)	(374,491.18)		(1,990,349.20)
Equipment and Furniture	(13,130,617.04)	(1,037,966.82)	620,269.58	(13,548,314.28)
Assets Under Capital Lease	(380,169.30)	(108,716.17)	304,558.41	(184,327.06)
Total Accumulated Depreciation	(41,405,800.04)	(3,357,616.07)	1,187,198.99	(43,576,217.12)
Total Capital Assets Being Depreciated, Net	60,465,353.59	(521,575.14)	(202,706.22)	59,741,072.23
Total Governmental Activities	\$ 64,151,677.58	\$ 305,027.71	\$(1,510,120.63)	\$ 62,946,584.66
(*) Included in the "Additions/Reclassifications" column and "Deletions/Reclassifications" column are amounts reclassified from Infrastructure in Progress and Construction in Progress to permanent accounts. These columns also included reclassifications for leased assets, and related depreciation, which are now paid off.				

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

	Balance 10/01/2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2020
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 8,640.00	\$ 115,976.35	\$	\$ 124,616.35
Total Capital Assets, Not Being Depreciated	8,640.00	115,976.35		124,616.35
Capital Assets Being Depreciated:				
Buildings	1,578,393.71			1,578,393.71
Improvements Other Than Buildings	19,353.00			19,353.00
Equipment and Furniture	3,956,533.01	469,434.48	(572,660.66)	3,853,306.83
Total Capital Assets Being Depreciated	5,554,279.72	469,434.48	(572,660.66)	5,451,053.54
Less Accumulated Depreciation for:				
Buildings	(346,124.52)	(43,698.31)		(389,822.83)
Improvements Other Than Buildings	(5,322.11)	(967.65)		(6,289.76)
Equipment and Furniture	(2,078,236.28)	(618,375.16)	442,270.46	(2,254,340.98)
Total Accumulated Depreciation	(2,429,682.91)	(663,041.12)	442,270.46	(2,650,453.57)
Total Capital Assets Being Depreciated, Net	3,124,596.81	(193,606.64)	(130,390.20)	2,800,599.97
Total Business-Type Activities				
Capital Assets, Net	\$ 3,133,236.81	\$ (77,630.29)	\$ (130,390.20)	\$ 2,925,216.32

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 490,854.19
Public Safety	1,063,871.63
Highways and Roads	1,119,994.66
Sanitation	16,979.00
Health	5,699.20
Welfare	167,790.93
Culture and Recreations	167,320.39
Total Depreciation Expense – Governmental Activities	<u>\$3,032,510.00</u>

	Current Year Depreciation Expense
Business-Type Activities:	
Environmental Services	\$663,041.12
Total Depreciation Expense – Business-Type Activities	<u>\$663,041.12</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

Benefits Provided

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

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid directly to the beneficiary.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

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

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the Morgan County Commission's active employee contribution rate was 5.65% of covered employee payroll, and the Morgan County Commission's average contribution rate to fund the normal and accrued liability costs was 7.23% of covered employee payroll.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The Morgan County Commission's contractually required contribution rate for the year ended September 30, 2020, was 8.20% of pensionable pay for Tier 1 employees, and 5.78% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$1,044,903.00 for the year ended September 30, 2020.

B. Net Pension Liability

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

	Total Pension Liability Roll-Forward	
	Expected	Actual
(a) Total Pension Liability as of September 30, 2018	\$46,894,922	\$46,876,835
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for the Period October 1, 2018 – September 30, 2019	1,110,493	1,110,493
(d) Transfers Among Employers		(69,039)
(e) Actual Benefit Payments and Refunds for October 1, 2018 – September 30, 2019	(3,158,567)	(3,158,567)
(f) Total Pension Liability as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$48,336,152</u>	<u>\$48,247,634</u>
(g) Difference between Expected and Actual		\$ (88,518)
(h) Less Liability Transferred for Immediate Recognition		(69,039)
(i) Experience (Gain)/Loss=(g) - (h)		<u>\$ (19,479)</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return (*)	7.70%

(*) Net of pension plan investment expense,
including inflation

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes on September 30, 2016, which became effective at the beginning of fiscal year 2016.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.50%.		

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

C. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2018	\$46,894,922	\$38,255,601	\$ 8,639,321
Changes for the Year:			
Service Cost	1,110,493		1,110,493
Interest	3,489,304		3,489,304
Changes in Assumptions			
Differences Between Expected and Actual Experience	(19,479)		(19,479)
Contributions – Employer		1,008,132	(1,008,132)
Contributions – Employee		828,169	(828,169)
Net Investment Income		964,467	(964,467)
Benefit Payments, including Refunds of Employee Contributions	(3,158,567)	(3,158,567)	
Transfers among Employers	(69,039)	(69,039)	
Net Changes	1,352,712	(426,838)	(1,779,550)
Balances at September 30, 2019	\$48,247,634	\$37,828,763	\$10,418,871

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

The following table presents the Commission's net pension liability calculated using the discount rate of 7.70%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Commission's Net Pension Liability	\$15,860,720	\$10,418,871	\$5,820,723

Notes to the Financial Statements

For the Year Ended September 30, 2020

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor's report dated August 27, 2020 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2020, the Morgan County Commission recognized pension expense of \$1,058,009.00. At September 30, 2020, the Morgan County 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	\$ 238,426	\$1,129,654
Changes in assumptions	638,148	
Net difference between projected and actual earnings on pension plan investments	418,825	
Employer contributions subsequent to the measurement date	1,044,903	
Total	<u>\$2,340,302</u>	<u>\$1,129,654</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

Year Ending:	
September 30, 2021	\$(246,617)
2022	\$ (37,881)
2023	\$ 183,960
2024	\$ 269,252
2025	\$ (2,969)
Thereafter	\$ 0

Note 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

Medical benefits are provided through the Commission's health benefit plan and are made available to employees upon actual retirement. The employees 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. A limited benefit is available to those retiring under the disability provisions not otherwise qualified for the plan benefits.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Employees Covered by Benefit Terms

At September 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	29
Active employees	329
Total	<u>358</u>

Total OPEB Liability

The Morgan County Commission's total OPEB liability of \$8,934,369 was measured as of September 30, 2020 and was determined by an actuarial valuation.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in them measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	3.50% annually
Discount Rate	2.25%
Healthcare Cost Trend Rates	4.50%

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2019, the end of the applicable measurement period.

Mortality rates were based on the RPH-2014 Total Table with Projection MP-2019.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Changes in the Total OPEB Liability

Balance at September 30, 2019	\$7,158,048
Changes for the year:	
Service Cost	301,899
Interest Cost	293,825
Differences between expected and actual experience	(353,404)
Changes in assumptions	1,979,778
Benefit Payments	(445,777)
Net change in total OPEB liability	1,776,321
Balance at September 30, 2020	\$8,934,369

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

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.25%) or 1-percentage point higher (3.25%) than the current discount rate:

	1.0% Decrease (1.25%)	Current Discount (2.25%)	1.0% Increase (3.25%)
Total OPEB Liability	\$9,871,992	\$8,934,369	\$8,104,211

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

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (3.50%) or 1-percentage point higher (5.50%) than the current healthcare trend rates:

	1.0% Decrease (3.50%)	Current Trend (4.50% initial)	1.0% Increase (5.50%)
Total OPEB Liability	\$7,957,429	\$8,934,369	\$10,091,493

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

For the year ended September 30, 2020, the Commission recognized OPEB expense of \$887,189 prior to recording the actual OPEB benefit amounts. At September 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$290,070
Changes in assumptions	1,624,979	
Total	<u>\$1,624,979</u>	<u>\$290,070</u>

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, 2021	\$291,465
2022	\$291,465
2023	\$291,465
2024	\$291,465
2025	\$169,049
Thereafter	\$ 0

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 8 – Payables

On September 30, 2020, payables for the Commission's individual major funds and other governmental and fiduciary funds in the aggregate are as follows:

	Accounts Payable	Due to Other Governments	Withholdings and Benefits	Total
<u>Governmental Funds:</u>				
General Fund	\$ 936,741.07	\$ 28,268.66	\$	\$ 965,009.73
Gasoline Tax Fund	204,506.98			204,506.98
Other Governmental Funds	646,928.45			646,928.45
Total Governmental Funds	<u>1,788,176.50</u>	<u>28,268.66</u>		<u>1,816,445.16</u>
<u>Business-Type Activities:</u>				
Environmental Services Fund	126,090.27			126,090.27
Total Business-Type Activities	<u>126,090.27</u>			<u>126,090.27</u>
<u>Fiduciary Funds:</u>				
Private-Purpose Trusts	30,952.93			30,952.93
Agency Funds	1,015,623.53	3,819,780.74	5,862,829.54	10,698,233.81
Total Fiduciary Funds	<u>\$1,046,576.46</u>	<u>\$3,819,780.74</u>	<u>\$5,862,829.54</u>	<u>\$10,729,186.74</u>

Note 9 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$658,848.12 for governmental activities at September 30, 2020. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2021	\$266,821.19
2022	139,137.78
2023	50,656.80
2024	42,214.00
Total Minimum Lease Payments	498,829.77
Less: Amount Representing Interest	(20,487.27)
Present Value of Net Minimum Lease Payments	\$478,342.50

Note 10 – Long-Term Debt

In June 2010, General Obligation Warrants were issued with variable interest rates of 2.0 percent to 3.25 percent to refund on a current basis the Outstanding Series 2000 General Obligation Warrants and the 2000 Taxable General Obligation Warrants and to provide funds for various capital projects.

In June 2012, General Obligation Warrants were issued with variable interest rates of 2.0 percent to 2.5 percent to refund the Outstanding Series 2003 General Obligation Warrants.

In March 2013, General Obligation Warrants were issued with variable interest rates of 0.6 percent to 2.6 percent to refund on a current basis the Outstanding Series 2004 General Obligation Warrants.

In January 2014, General Obligation Warrants were issued with variable interest rates of 1.75 percent to 4 percent to fund public safety and public transportation projects.

In 2015, General Obligation Warrants were issued with variable interest rates of 2.25 percent to 4 percent to fund a public safety project.

In 2017, a zero-interest loan was made to fund lighting at Brindlee Mountain Park.

In October 2019, General Obligation Warrants were issued with variable interest rates of 3 percent to 4 percent to refund the 2014 General Obligation Warrants.

In August 2020, General Obligation Warrants were issued with variable interest rates of 2 percent to 5 percent to refund portions of the 2013A and 2013B.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Warrants, Series 2010	\$ 350,000.00	\$	\$ (350,000.00)	\$	\$
General Obligation Warrants, Series 2012	4,535,000.00		(850,000.00)	3,685,000.00	1,200,000.00
General Obligation Warrants, Series 2013A	8,990,000.00		(8,825,000.00)	165,000.00	165,000.00
General Obligation Warrants, Series 2013B	2,100,000.00		(1,220,000.00)	880,000.00	150,000.00
General Obligation Warrants, Series 2014	6,105,000.00		(6,105,000.00)		
General Obligation Warrants, Series 2015	3,060,000.00			3,060,000.00	
General Obligation Warrants, Series 2019		5,515,000.00	(420,000.00)	5,095,000.00	395,000.00
General Obligation Warrants, Series 2020		8,520,000.00		8,520,000.00	
Total Warrants Payable	25,140,000.00	14,035,000.00	(17,770,000.00)	21,405,000.00	1,910,000.00
Note from Direct Borrowing	70,552.71		(21,538.56)	49,014.15	21,538.56
Unamortized Premium	147,246.38	2,164,663.85	(209,956.06)	2,101,954.17	209,956.06
Capital Leases Payable	560,131.98	189,108.40	(270,897.88)	478,342.50	254,426.46
Net Pension Liability	8,325,467.11	1,708,368.00		10,033,835.11	
Estimated Liability for Compensated Absences	1,073,970.94	142,256.63		1,216,227.57	377,632.94
Other Postemployment Benefits Liability	6,894,056.36	1,653,754.85		8,547,811.21	
Total Governmental Activities Long-Term Liabilities	42,211,425.48	19,893,151.73	(18,272,392.50)	43,832,184.71	2,773,554.02
Business-Type Activities:					
Net Pension Liability	313,853.89	71,182.00		385,035.89	
Estimated Liability for Compensated Absences	35,886.49	3,001.28		38,887.77	9,847.56
Other Postemployment Benefits Liability	263,991.64	122,566.15		386,557.79	
Total Business-Type Activities Long-Term Liabilities	\$ 613,732.02	\$ 196,749.43	\$	\$ 810,481.45	\$ 9,847.56

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the General Fund, Gasoline Tax Fund, capital projects funds and debt service funds.

The capital lease liability for governmental activities will be liquidated by the General Fund.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. The majority of the liability will be liquidated through the Commission's General Fund and Gasoline Tax Fund. The remainder will be liquidated by other governmental funds.

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

Fiscal Year Ending	Series 2012 General Obligation Warrants		Series 2013A General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2021	\$1,200,000.00	\$ 87,587.50	\$165,000.00	\$2,887.50
2022	1,230,000.00	60,587.50		
2023	1,255,000.00	31,375.00		
2024				
2025				
2026-2030				
2031-2033				
Totals	<u>\$3,685,000.00</u>	<u>\$179,550.00</u>	<u>\$165,000.00</u>	<u>\$2,887.50</u>

Fiscal Year Ending	Series 2020 General Obligation Warrants		Note from Direct Borrowing
	Principal	Interest	
September 30, 2021	\$	\$ 182,322.08	\$21,538.56
2022		308,150.00	21,538.56
2023		308,150.00	5,937.03
2024	1,020,000.00	308,150.00	
2025	1,400,000.00	277,550.00	
2026-2030	6,100,000.00	639,350.00	
2031-2033			
Totals	<u>\$8,520,000.00</u>	<u>\$2,023,672.08</u>	<u>\$49,014.15</u>

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

Series 2013B		Series 2015		Series 2019	
General Obligation Warrants		General Obligation Warrants		General Obligation Warrants	
Principal	Interest	Principal	Interest	Principal	Interest
\$150,000.00	\$27,081.26	\$	\$ 109,302.50	\$ 395,000.00	\$ 210,150.00
155,000.00	23,331.26		109,302.50	410,000.00	198,300.00
160,000.00	18,487.50		109,302.50	425,000.00	186,000.00
415,000.00	13,487.50		109,302.50	440,000.00	169,000.00
		115,000.00	109,302.50	455,000.00	151,400.00
		2,945,000.00	497,535.00	2,060,000.00	418,500.00
				910,000.00	73,800.00
\$880,000.00	\$82,387.52	\$3,060,000.00	\$1,044,047.50	\$5,095,000.00	\$1,407,150.00

Capital Leases Contracts Payable		Total Principal and Interest Requirements
Principal	Interest	
\$254,426.46	\$12,394.73	\$ 2,817,690.59
134,025.11	5,112.67	2,655,347.60
48,332.10	2,324.70	2,549,908.83
41,558.83	655.17	2,517,154.00
		2,508,252.50
		12,660,385.00
		983,800.00
\$478,342.50	\$20,487.27	\$26,692,538.52

Notes to the Financial Statements

For the Year Ended September 30, 2020

Premium on Debt Issuance

The Commission has a premium in connection with the issuance of its 2015 General Obligation Warrants, 2019 General Obligation Warrants, and 2020 General Obligation Warrants. The premium is being amortized using the straight-line method. The premium for the 2015 Warrants will be amortized over the life of the issue which will be through 2030. The premium for the 2019 Warrants will be amortized over the life of the issue which will be through 2033. The premium for the 2019 Warrants will be amortized over the life of the issue which will be through 2029.

Premium	
Premium on Debt Issuance	\$2,365,454.35
Amount Amortized in Prior Years	(53,544.12)
Balance	2,311,910.23
Current Amount Amortized	(209,956.06)
Balance of Premium	<u>\$2,101,954.17</u>

Defeased Debt

On October 3, 2019, the Commission issued \$5,515,000 (1) to refund in advance of its maturity, the Commission's \$8,605,000 General Obligation Warrants, Series 2014, dated January 1, 2014. The net proceeds of \$6,127,594.61 (after payment of \$39,750.00 in issuance costs, \$41,362.50 underwriter's discount, and \$2,665.39 additional proceeds) were used to refund the General Obligation Warrants, Series 2014. As a result, the Series 2014 General Obligation Warrants is considered to be defeased and the liability for those warrants has been removed.

The Commission decreased its total debt service payment by approximately \$411,071.25 which resulted in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$366,281.26.

On August 12, 2020, the Commission issued \$8,520,000 (1) to refund in advance of its maturity, a portion of the Commission's \$12,165,000 General Obligation Refunding Warrants, Series 2013A and 2013B, dated March 1, 2013. The net proceeds of \$9,861,947.23 (after payment of \$59,500 in issuance costs, \$63,900 in underwriter's discount, and \$2,944.12 additional proceeds) were used to refund a portion of the General Obligation Refunding Warrants, Series 2013A and 2013B. As a result, that portion of the Series 2013A and 2013B General Obligation Refunding Warrants is considered to be defeased and the liability for those warrants has been removed.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The Commission decreased its total debt service payment by approximately \$819,137.92 which resulted in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$789,342.83.

Note 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through a commercial carrier. The Commission pays an annual premium based on the Commission's individual claims experience. Coverage is provided up to \$1,000,000.00 per claim for a maximum total coverage of \$2,000,000.00.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission is self-insured with regard to employee health insurance. The Commission purchases insurance for claims in excess of the aggregate stop loss basis. The aggregate stop loss basis is determined annually based on the Commission's claim experience. An estimate of the claims liability is reported in the governmental funds and the proprietary fund. The entire long-term liability is included in the government-wide financial statements. These liabilities are based on estimates utilizing past experience.

The schedule below presents the changes in claims liabilities for the past three years for the self-insured activity of employee health insurance.

Fiscal Years	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2017-2018	\$118,023.13	\$3,881,606.74	\$3,814,500.00	\$185,129.87
2018-2019	\$185,129.87	\$3,645,823.41	\$3,710,659.71	\$120,293.62
2019-2020	\$120,293.62	\$4,626,404.71	\$4,495,677.34	\$251,020.99

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 12 – Interfund Transactions

Interfund Receivables/Payables

Interfund receivables/payables at September 30, 2020, were as follows:

	Interfund Receivables		
	General	Other	
	Fund	Governmental	Totals
		Funds	
Interfund Payables:			
Other Governmental Funds	\$174,503.62	\$14,235.11	\$188,738.73
Totals	\$174,503.62	\$14,235.11	\$188,738.73

Interfund Transfers

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

	Operating Transfers Out		
	General	Gasoline	
	Fund	Tax Fund	Totals
Operating Transfers In:			
Gasoline Tax Fund	\$1,672,117.22	\$	\$1,672,117.22
Other Governmental Funds	2,710,469.00	70,536.77	2,781,005.77
Totals	\$4,382,586.22	\$70,536.77	\$4,453,122.99

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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 13 – Related Organizations

A majority of the members of the boards of the agencies listed below are appointed by the Morgan County Commission. The Commission, however, is not financially accountable, because it does not impose its will nor does it have a financial benefit or burden relationship with the agencies. Additionally, the agencies are not considered part of the Commission's financial reporting entity. The agencies presented below are considered related organizations of the County Commission.

Related Organizations
Decatur-Morgan County Port Authority Northeast Morgan County Water and Fire Protection Authority West Morgan East Lawrence Water and Sewer Authority State Products Mart Authority Public Parks and Recreation Board Morgan County Commercial Development District

Note 14 – Subsequent Event

On October 26, 2021, the Morgan County Commission approved a legal settlement with a chemical company in which the county will receive \$5,400,000.00.

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Required Supplementary Information

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

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,110,493	\$ 1,072,638	\$ 1,140,274	\$ 1,173,409	\$ 1,122,621	\$ 1,131,991
Interest	3,489,304	3,441,311	3,433,763	3,241,187	3,153,595	3,019,588
Changes of assumptions		242,945		1,238,085		
Difference between expected and actual experience	(19,479)	(610,127)	(1,087,330)	619,910	(664,767)	
Benefit payments, including refunds of employee contributions	(3,158,567)	(3,073,895)	(2,624,088)	(2,475,448)	(2,557,656)	(2,395,328)
Transfers among employers	(69,039)	(118,908)	(540,328)	68,968		
Net change in total pension liability	1,352,712	953,964	322,291	3,866,111	1,053,793	1,756,251
Total pension liability - beginning	46,894,922	45,940,958	45,618,667	41,752,556	40,698,763	38,942,512
Total pension liability - ending (a)	\$ 48,247,634	\$ 46,894,922	\$ 45,940,958	\$ 45,618,667	\$ 41,752,556	\$ 40,698,763
Plan fiduciary net position						
Contributions - employer	\$ 1,008,132	\$ 910,280	\$ 912,901	\$ 1,048,049	\$ 1,063,921	\$ 1,021,795
Contributions - employee	828,169	814,217	744,299	737,643	725,290	692,420
Net investment income	964,467	3,302,734	4,219,598	3,144,335	370,100	3,435,573
Benefit payments, including refunds of employee contributions	(3,158,567)	(3,073,895)	(2,624,088)	(2,475,448)	(2,557,656)	(2,395,328)
Other (Transfers among employers)	(69,039)	(118,908)	(540,328)	68,968	7,128	(303,456)
Net change in plan fiduciary net position	(426,838)	1,834,428	2,712,382	2,523,547	(391,217)	2,451,004
Plan fiduciary net position - beginning	38,255,601	36,421,173	33,708,791	31,185,244	31,576,461	29,125,457
Plan fiduciary net position - ending (b)	\$ 37,828,763	\$ 38,255,601	\$ 36,421,173	\$ 33,708,791	\$ 31,185,244	\$ 31,576,461
Net pension liability - ending (a) - (b)	\$ 10,418,871	\$ 8,639,321	\$ 9,519,785	\$ 11,909,876	\$ 10,567,312	\$ 9,122,302
Plan fiduciary net position liability as a percentage of the total pension liability	78.41%	81.58%	79.28%	73.89%	74.69%	77.59%
Covered payroll (*)	\$ 13,827,985	\$ 13,741,182	\$ 13,516,279	\$ 13,765,092	\$ 13,896,025	\$ 13,153,379
Commission's net pension liability as a percentage of covered payroll	75.35%	62.87%	70.43%	86.52%	76.05%	69.35%

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

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

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

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 1,044,903	\$ 1,008,132	\$ 910,280	\$ 912,901	\$ 1,048,049	\$ 1,063,921	\$ 1,021,795
Contributions in relation to the actuarially determined contribution (*)	\$ 1,044,903	\$ 1,008,132	\$ 910,280	\$ 912,901	\$ 1,048,049	\$ 1,063,921	\$ 1,021,795
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 14,446,390	\$ 13,827,985	\$ 13,741,182	\$ 13,516,279	\$ 13,765,092	\$ 13,896,025	\$ 13,153,379
Contributions as a percentage of covered payroll	7.23%	7.29%	6.62%	6.75%	7.61%	7.66%	7.77%

(*) 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 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

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

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

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.7 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

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

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 301,899	\$ 301,899	\$ 290,120
Interest	293,825	275,204	279,876
Differences between expected and actual experience	(353,404)		
Changes in assumption	1,979,778		
Benefit payments	(445,777)	(394,947)	(394,947)
Change in total OPEB liability	1,776,321	182,156	175,049
Total OPEB Liability - Beginning	7,158,048	6,975,892	6,800,843
Total OPEB Liability - Ending	\$ 8,934,369	\$ 7,158,048	\$ 6,975,892
Covered-employee payroll	\$ 12,784,147	\$ 11,729,224	\$ 11,729,224
Employer's OPEB liability as a percentage of covered-employee payroll	69.89%	61.03%	59.47%

Notes to Schedule:

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

Changes in assumptions: There was a \$1,979,778 changes in assumptions for the year ended September 30, 2020.

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

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

	2020	2019	2018
Contractually required contribution	\$ 445,777	\$ 394,947	\$ 394,947
Contributions in relation to the contractually required contribution	\$ 445,777	\$ 394,947	\$ 394,947
Contribution deficiency (excess)	\$	\$	\$
Covered-employee payroll	\$ 12,784,147	\$ 11,729,224	\$ 11,729,224
Contributions as a percentage of covered-employee payroll	3.49%	3.37%	3.37%

Notes to Schedule

Valuation date: September 30, 2020

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:

Asset valuation method	N/A
Inflation	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare cost trend rates	4.50% Level
Salary increases	3.50% per annum
Discount Rate	2.25% per annum (-0.25% real rate of return plus 2.50% inflation)
Retirement age	Retirement from the Morgan County Commission after age 60 with 10 years of service or with 25 years of service.
Mortality	RPH-2014 Total Table with Projection MP-2019

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

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

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Taxes	\$ 14,392,020.00	\$ 14,537,627.00	\$ 15,238,222.62	(1)	\$ 5,798,260.54	\$ 21,036,483.16
Licenses and Permits	210,500.00	210,500.00	243,067.84			243,067.84
Intergovernmental	4,075,557.00	4,145,788.00	5,762,829.91	(1)	(733,622.37)	5,029,207.54
Charges for Services	5,134,300.00	5,403,067.00	5,816,997.23	(1)	808,172.54	6,625,169.77
Miscellaneous	221,530.00	224,429.00	357,425.07	(1)	641,405.38	998,830.45
Total Revenues	24,033,907.00	24,521,411.00	27,418,542.67		6,514,216.09	33,932,758.76
Expenditures						
Current:						
General Government	8,655,845.00	8,891,068.00	7,883,163.31	(2)	79,488.78	7,962,652.09
Public Safety	12,834,269.00	12,935,328.00	13,609,381.77	(2)	1,225.00	13,610,606.77
Highways and Roads				(2)	1,034,849.38	1,034,849.38
Sanitation				(2)	190,918.04	190,918.04
Health	372,366.00	372,560.00	365,638.83			365,638.83
Welfare	91,910.00	227,711.00	225,600.85	(2)	295,156.40	520,757.25
Culture and Recreation	82,000.00	82,000.00	82,000.00	(2)	937,573.02	1,019,573.02
Education	45,000.00	45,000.00	45,000.00	(2)	4,501.80	49,501.80
Capital Outlay	31,050.00	154,989.00	201,442.50	(2)	221,208.05	422,650.55
Debt Service:						
Principal	202,973.00	202,973.00	202,972.62	(2)	82,090.00	285,062.62
Interest	13,192.00	13,192.00	13,191.76	(2)	1,438.58	14,630.34
Total Expenditures	22,328,605.00	22,924,821.00	22,628,391.64		2,848,449.05	25,476,840.69
Excess (Deficiency) of Revenues Over Expenditures	1,705,302.00	1,596,590.00	4,790,151.03		3,665,767.04	8,455,918.07
Other Financing Sources (Uses)						
Transfers In	1,360,000.00	1,360,000.00	1,360,000.00	(3)	(1,360,000.00)	
Proceeds from Sale of Capital Assets			4,976.79	(3)	7,053.85	12,030.64
Transfers Out	(3,510,079.00)	(3,521,469.00)	(3,536,368.51)	(3)	(846,217.71)	(4,382,586.22)
Other Financing Sources (Uses)	492,000.00	592,552.00				
Total Other Financing Sources (Uses)	(1,658,079.00)	(1,568,917.00)	(2,171,391.72)		(2,199,163.86)	(4,370,555.58)
Net Change in Fund Balances	47,223.00	27,673.00	2,618,759.31		1,466,603.18	4,085,362.49
Fund Balances - Beginning of Year	5,999,937.89	5,999,937.89	5,999,938.48	(4)	4,392,762.57	10,392,701.05
Fund Balances - End of Year	\$ 6,047,160.89	\$ 6,027,610.89	\$ 8,618,697.79		\$ 5,859,365.75	\$ 14,478,063.54

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

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

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

(1) Revenues			
Park and Recreation Fund	\$	309,942.48	
Flood Insurance Permit Fund		22.82	
Public Buildings, Roads and Bridges Fund		5,895,156.50	
Jack Maddox Industrial Park Fund		96.44	
Rural Morgan County Industrial Development Fund		4,493.11	
Industrial Fund		129.10	
Landfill Fund		12,152.88	
Commission on Aging Fund		64,192.94	
Disaster Relief Fund		4.37	
Recycling Fund		228,025.45	
			\$ 6,514,216.09
(2) Expenditures			
Park and Recreation Fund	\$	1,024,288.44	
Public Buildings, Roads and Bridges Fund		1,257,229.64	
Rural Morgan County Industrial Development Fund		46,559.03	
Commission on Aging Fund		293,433.90	
Recycling Fund		226,938.04	
			(2,848,449.05)
(3) Other Financing Sources/(Uses), Net			
Park and Recreation Fund	\$	802,731.08	
Public Buildings, Roads and Bridges Fund		(3,437,794.45)	
Rural Morgan County Industrial Development Fund		190,899.51	
Commission on Aging Fund		245,000.00	
			(2,199,163.86)
Net Change in Fund Balance - Budget to GAAP			\$ 1,466,603.18
(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 Balance because of the cumulative effect of transactions such as those described above.			

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

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Intergovernmental	\$ 1,915,920.00	\$ 1,915,920.00	\$ 1,882,244.67	(1)	\$ 199,940.52	\$ 2,082,185.19
Miscellaneous	12,500.00	12,500.00	57,205.91	(1)	(47,400.62)	9,805.29
Total Revenues	1,928,420.00	1,928,420.00	1,939,450.58		152,539.90	2,091,990.48
<u>Expenditures</u>						
Current:						
Highways and Roads	3,899,331.24	4,019,331.24	4,034,450.02			4,034,450.02
Capital Outlay	25,000.00	83,194.00	257,122.36			257,122.36
Debt Service:						
Principal		7,374.00	7,373.82			7,373.82
Interest and Fiscal Charges		1,069.00	1,068.98			1,068.98
Total Expenditures	3,924,331.24	4,110,968.24	4,300,015.18			4,300,015.18
Excess (Deficiency) of Revenues Over Expenditures	(1,995,911.24)	(2,182,548.24)	(2,360,564.60)		152,539.90	(2,208,024.70)
<u>Other Financing Sources (Uses)</u>						
Transfers In	1,872,117.00	1,872,117.00	1,814,682.92	(2)	(142,565.70)	1,672,117.22
Proceeds from Sale of Capital Assets			15,431.00			15,431.00
Other Financing Sources			189,083.40			189,083.40
Transfers Out	(72,864.00)	(72,864.00)	(70,536.77)			(70,536.77)
Total Other Financing Sources (Uses)	1,799,253.00	1,799,253.00	1,948,660.55		(142,565.70)	1,806,094.85
Net Change in Fund Balances	(196,658.24)	(383,295.24)	(411,904.05)		9,974.20	(401,929.85)
Fund Balances - Beginning of Year	1,322,271.31	1,322,271.31	1,322,271.31	(3)	77,949.97	1,400,221.28
Fund Balances - End of Year	\$ 1,125,613.07	\$ 938,976.07	\$ 910,367.26		\$ 87,924.17	\$ 998,291.43

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

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

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

(1) Revenues	
Severed Minerals Tax Fund	\$ 152,539.90
(2) Other Financing Sources/(Uses)	
Severed Minerals Tax Fund	<u>(142,565.70)</u>
Net Change in Fund Balance - Budget to GAAP	<u><u>\$ 9,974.20</u></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 Balance because of the cumulative effect of transactions such as those described above.

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Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
<u>U. S. Department of the Interior</u>			
<u>Direct Program</u>			
National Wildlife Refuge Fund	15.659	N/A	\$ 16,783.00
Total U. S. Department of Interior			16,783.00
<u>U. S. Department of Justice</u>			
<u>Direct Program</u>			
Equitable Sharing Program	16.922	N/A	7,922.38
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001	N/A	18,649.00
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	N/A	24,191.82
<u>Passed Through The City of Cullman</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17-DJ-01-006	9,074.13
Total U. S. Department of Justice			59,837.33
<u>U. S. Department of Transportation</u>			
<u>Passed Through Franklin County Commission</u>			
State and Community Highway Safety	20.600	20-FP-PT-003	24,881.75
State and Community Highway Safety	20.600	20-FP-PT-007	4,465.36
Sub-Total State and Community Highway Safety			29,347.11
National Priority Safety Programs	20.616	20-ID-M5-003	8,147.06
National Priority Safety Programs	20.616	20-ID-M5-007	2,996.61
Sub-Total National Priority Safety Programs			11,143.67
Total Highway Safety Cluster			40,490.78
Total Department of Transportation			40,490.78
<u>U. S. Department of Treasury</u>			
<u>Passed Through Alabama Department of Finance</u>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	2,822,222.24
Total U. S. Department of Treasury			2,822,222.24
<u>General Services Administration</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Donation of Federal Surplus Personal Property (N)	39.003	N/A	7,092.23
Total General Services Administration			7,092.23
<u>U. S. Department of Health and Human Services</u>			
<u>Passed Through North Alabama Regional Council of Governments</u>			
Special Programs for the Aging, Title III, Part C - Nutrition Services	93.045	N/A	45,250.00
Total U. S. Department of Health and Human Services			45,250.00
Sub-Total Forward			\$ 2,991,675.58

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
Sub-Total Brought Forward			\$ 2,991,675.58
<u>U. S. Department of Homeland Security</u>			
<u>Passed Through Alabama Department of Homeland Security</u>			
Homeland Security Grant Program	97.067	9FIL	7,020.00
Homeland Security Grant Program	97.067	8FIL	5,290.00
Homeland Security Grant Program	97.067	9LOC	91,630.06
Sub-Total Homeland Security Grant Program			103,940.06
<u>Passed Through Alabama Emergency Management Agency</u>			
Emergency Management Performance Grants	97.042	20EMS	9,000.00
Emergency Management Performance Grants	97.042	20EMF	52,048.00
Total U. S. Department of Homeland Security			164,988.06
<u>Elections Systems Assistance Commission</u>			
<u>Passed Through Alabama Office of Secretary of State</u>			
COVID 19 CARES Election Expenses Grant	90.404	N/A	47,483.68
Total Elections Systems Assistance Commission			47,483.68
<u>Other Federal Assistance</u>			
<u>Tennessee Valley Authority</u>			
<u>Passed Through State of Alabama Department of Emergency Management</u>			
Radiological Emergency Plans	N/A	N/A	208,292.84
Total Expenditures of Federal Awards			\$ 3,412,440.16

(N) = Non-Cash Assistance

N/A = Not Available/Not Applicable

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

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

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Morgan County Commission (the “Commission”) under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position or changes in net position or cash flows of the Commission.

Note 2 – Summary of Significant Accounting Policies

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

Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2020

Commission Members		Term Expires
Hon. Ray Long	Chairman	November 2022
Hon. Jeff Clark	Member	November 2022
Hon. Don Stisher	Member	November 2024
Hon. Greg Abercrombie	Member	November 2024
Hon. Randy Vest	Member	November 2022
<u>Administrative Personnel</u>		
Julie M. Reeves	County Administrator	Indefinite

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

Independent Auditor's Report

Members of the Morgan County Commission and County Administrator
Decatur, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Morgan County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Morgan County Commission's basic financial statements, and have issued our report thereon dated February 24, 2022.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Morgan County Commission's financial statements are free of 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***.

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

February 24, 2022

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

Independent Auditor's Report

Members of the Morgan County Commission and County Administrator
Decatur, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Morgan County Commission's compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on the Morgan County Commission's major federal programs for the year ended September 30, 2020. The Morgan County Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Morgan County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance


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

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

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

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

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

February 24, 2022

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2020

Section I – Summary of Examiner's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ 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:

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

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

\$750,000.00

Auditee qualified as low-risk auditee?

_____ Yes X No

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

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.