

Report on the

Tuscaloosa County Commission

Tuscaloosa County, Alabama

October 1, 2014 through September 30, 2015

Filed: October 21, 2016



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Tuscaloosa County Commission, Tuscaloosa County, Alabama, for the period October 1, 2014 through September 30, 2015.

Sworn to and subscribed before me this
the 4th day of October, 2016.

Lisa M. Whitehead
Notary Public

My Commission Expires 3/12/2017

Respectfully submitted,

Amanda B. Hynds

Amanda B. Hynds
Examiner of Public Accounts

Table of Contents

	<i>Page</i>
Summary	A
<p>Contains items pertaining to federal, state and local legal compliance, Commission operations and other matters.</p>	
Independent Auditor's Report	B
<p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p>	
Management's Discussion and Analysis	F
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
<u>Basic Financial Statements</u>	1
<p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.</p>	
Exhibit #1	2
Exhibit #2	3
Exhibit #3	5
Exhibit #4	7
Exhibit #5	8
Exhibit #6	10

Table of Contents

	<i>Page</i>	
Exhibit #7	Statement of Fiduciary Net Position	11
Exhibit #8	Statement of Changes in Fiduciary Net Position	12
Notes to the Financial Statements		13
<u>Required Supplementary Information</u>		38
Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.		
Exhibit #9	Schedule of Changes in the Net Pension Liability	39
Exhibit #10	Schedule of the Employer's Contributions	40
Exhibit #11	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	41
Exhibit #12	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge Fund	45
Exhibit #13	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund	49
Exhibit #14	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Community Development Fund	51
Exhibit #15	Schedule of Funding Progress – Other Postemployment Benefits	53
<u>Supplementary Information</u>		54
Contains financial information and notes relative to federal financial assistance.		
Exhibit #16	Schedule of Expenditures of Federal Awards	55
Notes to the Schedule of Expenditures of Federal Awards		59

Table of Contents

		<i>Page</i>
<u>Additional Information</u>		60
<p>Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.</p>		
Exhibit #17	Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel.	61
Exhibit #18	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements.	62
Exhibit #19	Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	64
Exhibit #20	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	67



Department of
Examiners of Public Accounts

SUMMARY

**Tuscaloosa County Commission
October 1, 2014 through September 30, 2015**

The Tuscaloosa County Commission (the "Commission") is governed by a five-member body elected by the citizens of Tuscaloosa County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 17. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Tuscaloosa 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 41-5-14.

An unmodified opinion was issued on the 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, 2015.

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

The following officials/administrative personnel were invited to an exit conference to discuss the results of this report: Administrator of the County Commission: Melvin Vines; Chief Financial Officer of the County Commission: William Lamb; Commission Chairman: W. Hardy McCollum; and County Commissioners: Stan Acker, Reginald Murray, and Jerry Tingle. The following individuals attended the exit conference, held at the offices of the County Commission; Melvin Vines, Administrator, William Lamb, Chief Financial Officer; Commission Chairman: Hardy McCollum; and County Commissioners: Stan Acker, Reginald Murray, and Jerry Tingle. Also in attendance was a representative of the Department of Examiners of Public Accounts: Shelley Patrenos, Audit Manager.

This Page Intentionally Blank

Independent Auditor's Report

Independent Auditor's Report

To: Members of the Tuscaloosa County Commission, County Administrator and Chief Financial Officer

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuscaloosa County Commission, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Tuscaloosa County Commission as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuscaloosa County Commission, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the fiscal year ended September 30, 2015, the Tuscaloosa County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tuscaloosa County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 16) as required by U. S. Office Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 September 27, 2016, on our consideration of the Tuscaloosa County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Tuscaloosa County Commission's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 27, 2016

Management's Discussion and Analysis
(Required Supplementary Information)

Management's Discussion and Analysis

Tuscaloosa County Commission

As management of the Tuscaloosa County Commission, we offer readers of the Tuscaloosa County Commission's financial statements this narrative overview and analysis of the financial activities of the Tuscaloosa County Commission for the fiscal year ended September 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

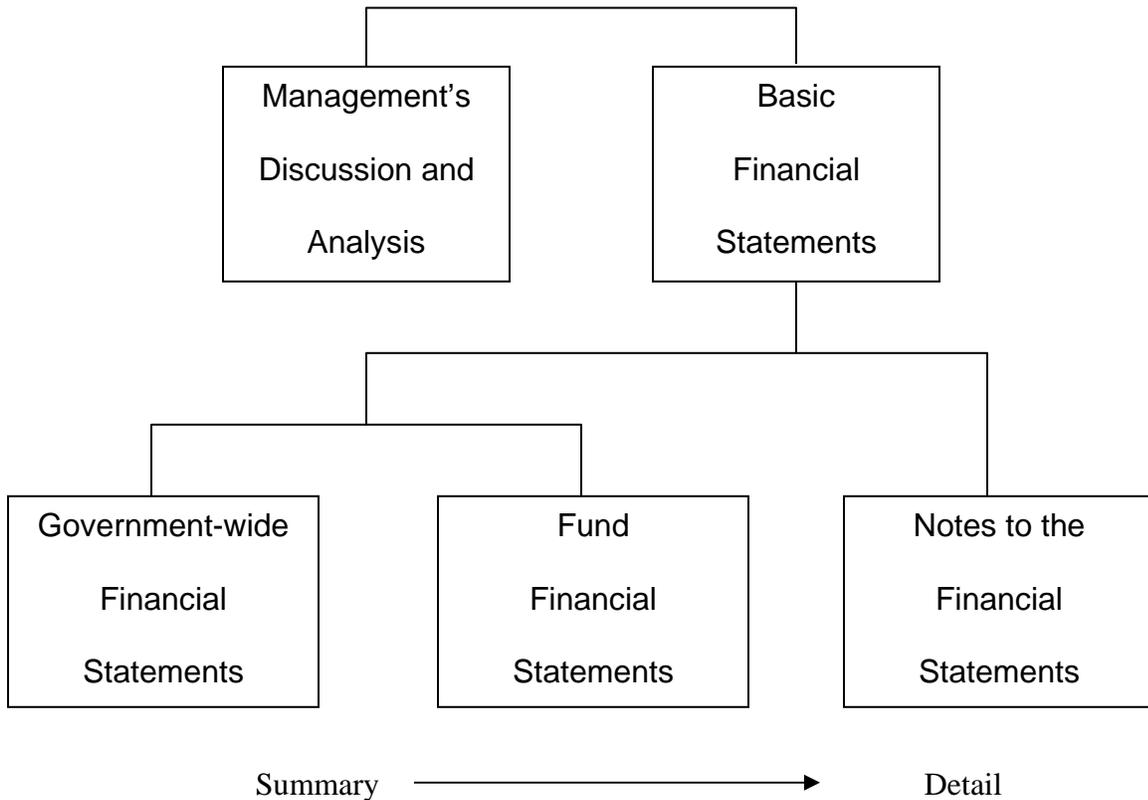
Financial Highlights

- The assets and deferred outflows of resources of the Tuscaloosa County Commission exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$63,283,242.85 (*net position*).
- As of the close of the current fiscal year, the Tuscaloosa County Commission's governmental funds reported combined ending fund balances of \$53,069,573.71. Of this amount \$16,963,337.06 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$18,669,064.43.
- Tuscaloosa County Commission currently has no long term debt.
- Tuscaloosa County Commission maintained its AA+ (Standard & Poor's - upgraded), Aa2 (Moody's) bond rating for the 14th consecutive year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Tuscaloosa County Commission's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Tuscaloosa County Commission.

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

Required supplementary information is provided to show details about the County's major governmental funds' budget information as required by the General Statutes and by the Governmental Accounting Standards Board.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Tuscaloosa County Commission, like all other governmental entities in Alabama, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget resolution. All of the funds of the Tuscaloosa County Commission can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in reconciliations that are a part of the financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Tuscaloosa County Commission has thirteen fiduciary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information.

Government-Wide Financial Analysis

The County's ending net position for FY 14 was restated in the FY 15 financial statement's due to the adoption of Governmental Accounting Standards Board (GASB) Statement Number 68, Accounting and Financial Reporting for Pensions. The result is a decrease in net position at October 1, 2014 of \$31,727,005.00 for Governmental Activities. More detailed information on this restatement can be found in the Notes to the Financial Statements.

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Tuscaloosa County Commission exceeded liabilities and deferred inflows of resources by \$63,283,242.85 as of September 30, 2015.

For the year ending September 30, 2015, Tuscaloosa County's net position is presented in Figure 2 as follows:

Tuscaloosa County's Net Position
Figure 2

	Governmental Activities 2015	Governmental Activities 2014
Current and other assets	\$87,355,825	\$87,003,243
Capital Assets, net	\$71,048,527	\$73,538,271
Total Assets	<u>\$158,404,352</u>	<u>\$160,541,513</u>
Deferred Outflows of Resources		
Proportionate Share of Collective		
Onflows-Defined Benefit Pension Plans	2,842,263	
Total Deferred Outflows	<u>2,842,263</u>	
Long-term liabilities outstanding	\$62,057,190	\$24,453,647
Other liabilities	\$7,377,858	\$4,786,845
Total liabilities	<u>\$69,435,048</u>	<u>\$29,240,492</u>
Deferred Inflows of Resources		
Unavailable Revenue-Property Tax	\$25,658,690	\$24,779,192
Revenue Received in Advance-Motor		
Vehicles Taxes	\$1,249,704	\$1,163,859
Proportionate Share of Collective		
Inflows-Defined Benefit Pension Plans	\$1,619,930	
Total Deferred Inflows of Resources	<u>\$28,528,324</u>	<u>\$25,943,051</u>
Net position:		
Net Investment in capital assets	\$71,048,527	\$73,538,271
Restricted	\$11,965,092	\$8,653,548
Unrestricted	(\$19,730,376)	\$23,166,151
Total net position	<u>\$ 63,283,243</u>	<u>\$ 105,357,970</u>

One aspect of the County’s financial operations that positively influenced the total unrestricted governmental net assets was the continued low cost of debt due to the County’s high bond rating and relative small amount of debt.

Tuscaloosa County’s changes in net position is presented in figure 3 as follows:

Tuscaloosa County Changes in Net Position
Figure 3

	<u>Governmental</u> <u>Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$9,014,559	\$8,927,982
Operating grants and contributions	\$18,156,278	\$10,463,123
Capital grants and contributions		
General revenues:		
Property taxes	\$28,265,559	\$26,529,686
Other taxes	\$23,826,759	\$23,482,810
Grants and contributions not restricted		
to specific programs	\$2,922,004	\$3,675,379
Other	\$12,315,501	\$12,169,763
Total revenues	<u>\$94,500,660</u>	<u>\$85,248,743</u>
Expenses:		
General government	\$46,040,369	\$32,372,478
Public safety	\$31,436,155	\$30,885,365
Highways and Roads	\$21,407,096	\$22,787,004
Sanitation	\$479,246	\$499,061
Health	\$564,352	\$572,338
Welfare	\$199,744	\$200,737
Culture and Recreation	\$4,369,449	\$4,409,923
Education	\$351,971	\$407,941
Miscellaneous	\$0	\$0
Interest on Long-Term Debt	\$0	\$0
Total expenses	<u>\$104,848,382</u>	<u>\$92,134,847</u>
Decrease in Net position	(\$10,347,722)	(\$6,886,104)
Net position, October 1, as Restated	<u>\$73,630,965</u>	<u>\$112,244,075</u>
Net position, September 30	<u><u>\$63,283,243</u></u>	<u><u>\$105,357,970</u></u>

Financial Analysis of the County's Funds

As noted earlier, Tuscaloosa County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Tuscaloosa County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Tuscaloosa County's financing requirements. Specifically, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Tuscaloosa County. At the end of the current fiscal year, total fund balance of the General Fund was \$38,666,907.00, a decrease of \$12,575,958.87. The primary factor contributing to this decrease were onetime expenditures for capital assets.

Other major funds of the County are the Road and Bridge Fund, Reappraisal Fund and the Community Development Fund. The Road and Bridge Fund's purpose is to account for the expenditures of funds earmarked for the building and maintenance of the County's roads and bridges. The fund balance of the Road and Bridge Fund increased \$2,614,785.94 during the year. This was primarily due to savings on infrastructure upgrade costs. The Reappraisal Fund accounts for expenditures related to the Commission's property reappraisal program. The Reappraisal Fund expenditures equals its revenues. The Community Development Fund's purpose is to account for expenditures related to the county's community development programs. The fund balance for this fund decreased by \$13,314.44, which is an immaterial amount related to expenditures.

At September 30, 2015, the governmental funds of Tuscaloosa County reported a combined fund balance of \$53,069,573.71.

Capital Asset and Debt Administration

Capital Assets. Tuscaloosa County's capital assets for its governmental activities as of September 30, 2015, totals \$71,048,526.82 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include:

- Purchased new equipment for the Public Safety Department
- Purchased new vehicles for County motor pool
- Disposed of old equipment in the Public Safety Department
- Addition of construction in progress on Infrastructure

A breakdown of Tuscaloosa County Capital Assets is presented in figure 4 as follows:

Tuscaloosa County's Capital Assets
Figure 4

TUSCALOOSA COUNTY'S CAPITAL ASSETS		
	Governmental Activities 2015	Governmental Activities 2014
Land	\$ 3,048,390	\$ 2,988,389
Buildings and improvements	\$39,464,521	\$39,018,826
Improvements other than buildings	\$5,651,321	\$5,651,321
Equipment and Furniture	\$18,568,505	\$17,963,790
Infrastructure	\$174,213,708	\$174,213,708
Data Processing Equipmment	\$2,844,849	\$2,789,567
Vehicles and motorized equipment	\$10,936,826	\$10,966,327
Construction in progress	\$4,350,377	\$4,031,312
Less: Accumulated Depreciation	(\$188,029,970)	(\$184,084,969)
Total	\$71,048,527	\$73,538,271

Additional information on the County's capital assets can be found in note 4 of the Basic Financial Statements.

Long-term Debt. As of September 30, 2015, Tuscaloosa County had no bonded debt outstanding.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The County had new jobs and capital invested this year.
- New manufacturing jobs announced totaled 1039.
- New private capital announced totaled \$1,510.34 million.

Budget Information

The Tuscaloosa County Commission adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the management of the County, and the decisions of the County Commission about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget resolution and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The statements shows three columns: 1) the original budget as adopted by the Commission; 2) the final budget as amended by the Commission; and 3) the actual resources, charges to appropriations, and ending balances in each fund on a budgetary basis of accounting. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of each budgetary statement.

Governmental Activities: Taxes (benefiting from the economic growth) are expected to lead the increase in revenue projections by 2.0 percent. The County will use these increases in revenues to finance programs currently in place.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to William M. Lamb, the Chief Financial Officer of, Tuscaloosa County Commission, P.O. Box 20113, Tuscaloosa, AL 35402.

This Page Intentionally Blank

Basic Financial Statements

This Page Intentionally Blank

Statement of Net Position

September 30, 2015

	Governmental Activities
<u>Assets</u>	
Cash	\$ 50,927,093.42
Investments	3,679,676.87
Receivables (Note 4)	7,025,821.86
Ad Valorem Taxes Receivable	25,658,690.10
Inventories	64,542.84
Capital Assets (Note 5):	
Nondepreciable	7,398,767.13
Depreciable, Net	63,649,759.69
Total Assets	<u>158,404,351.91</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	2,842,262.51
Total Deferred Outflows of Resources	<u>2,842,262.51</u>
<u>Liabilities</u>	
Payables (Note 10)	4,630,611.19
Unearned Revenue	52,666.68
Accrued Wages Payable	1,803,196.29
Health Claims Payable	175,816.35
Worker's Compensation Claims Payable	715,567.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	285,627.63
Portion Due or Payable After One Year:	
Compensated Absences	5,089,766.56
Net Other Postemployment Benefit Obligation	24,004,785.00
Net Pension Liability	32,677,011.00
Total Liabilities	<u>69,435,047.70</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Tax	25,658,690.10
Revenue Received in Advance - Motor Vehicle Taxes	1,249,703.77
Proportionate Share of Collective Deferred Inflows Related to Defined Benefit Pension Plans	1,619,930.00
Total Deferred Inflows of Resources	<u>28,528,323.87</u>
<u>Net Position</u>	
Net Investment in Capital Assets	71,048,526.82
Restricted for Other Purposes	11,965,091.80
Unrestricted	<u>(19,730,375.77)</u>
Total Net Position	<u>\$ 63,283,242.85</u>

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

Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$ 46,040,369.41	\$ 6,192,801.56	\$ 9,122,265.36
Public Safety	31,436,155.00	2,821,757.01	2,180,423.58
Highways and Roads	21,407,096.47		6,627,797.40
Sanitation	479,245.70		11,629.78
Health	564,352.03		94,025.28
Welfare	199,743.65		4,855.15
Culture and Recreation	4,369,449.15		106,700.37
Education	351,970.82		8,581.19
Total Governmental Activities	<u>\$ 104,848,382.23</u>	<u>\$ 9,014,558.57</u>	<u>\$ 18,156,278.11</u>

General Revenues:

Taxes:

Property Taxes for General Purposes

Property Taxes for Specific Purposes

General Sales Tax

County Gasoline Sales Tax

Miscellaneous Taxes

Grants and Contributions Not Restricted
for Specific Purposes

Interest Earned

Gain on Disposition of Capital Assets

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year, as Restated (Note 15)

Net Position - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$	(30,725,302.49)
	(26,433,974.41)
	(14,779,299.07)
	(467,615.92)
	(470,326.75)
	(194,888.50)
	(4,262,748.78)
	(343,389.63)
<u>\$</u>	<u>(77,677,545.55)</u>

25,155,321.45
3,110,237.56
11,188,076.00
9,758,024.54
2,880,658.85
2,922,004.00
127,927.77
81,917.86
12,105,655.14
<u>67,329,823.17</u>
(10,347,722.38)
<u>73,630,965.23</u>
<u>\$ 63,283,242.85</u>

Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Road and Bridge Fund
<u>Assets</u>		
Cash	\$ 31,557,888.09	\$ 6,079,362.98
Investments	3,679,676.87	
Receivable (Note 4)	2,625,697.04	321,613.88
Ad Valorem Taxes Receivable	14,846,470.40	7,271,675.70
Interfund Receivables	5,540,929.99	5,853.03
Inventories		64,542.84
Total Assets	<u>58,250,662.39</u>	<u>13,743,048.43</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 10)	1,755,671.80	849,190.88
Interfund Payables		5,186,477.59
Unearned Revenues		
Accrued Wages Payable	1,251,119.54	453,967.83
Health Claims Payable	175,816.35	
Worker's Compensation Claims Payable	715,567.00	
Total Liabilities	<u>3,898,174.69</u>	<u>6,489,636.30</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	14,846,470.40	7,271,675.70
Revenue Received in Advance - Motor Vehicle Taxes	839,110.30	410,593.47
Total Deferred Inflows of Resources	<u>15,685,580.70</u>	<u>7,682,269.17</u>
<u>Fund Balances</u>		
Nonspendable:		
Inventory		64,542.84
Noncurrent Receivables	401,196.23	
Restricted for:		
Public Safety		
Highways and Roads		1,212,327.49
Other Purposes		
Assigned to:		
Community Projects	8,795,885.84	
Worker's Compensation Insurance	2,068,519.41	
Employees' Health Insurance	749,101.37	
General Liability Insurance	2,652,178.88	
Other Purposes	5,330,960.84	
Unassigned	18,669,064.43	(1,705,727.37)
Total Fund Balances	<u>38,666,907.00</u>	<u>(428,857.04)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 58,250,662.39</u>	<u>\$ 13,743,048.43</u>

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

Reappraisal Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$ 864,371.26	\$ 1,468,571.53	\$ 10,956,899.56	\$ 50,927,093.42
			3,679,676.87
	3,865,226.07	213,284.87	7,025,821.86
3,540,544.00			25,658,690.10
			5,546,783.02
			64,542.84
<u>4,404,915.26</u>	<u>5,333,797.60</u>	<u>11,170,184.43</u>	<u>92,902,608.11</u>
754,000.80	1,190,495.32	81,252.39	4,630,611.19
12,261.54		348,043.89	5,546,783.02
		52,666.68	52,666.68
98,108.92			1,803,196.29
			175,816.35
			715,567.00
<u>864,371.26</u>	<u>1,190,495.32</u>	<u>481,962.96</u>	<u>12,924,640.53</u>
3,540,544.00			25,658,690.10
			1,249,703.77
<u>3,540,544.00</u>			<u>26,908,393.87</u>
			64,542.84
			401,196.23
		8,991,227.96	8,991,227.96
		903,293.37	2,115,620.86
		793,700.14	793,700.14
			8,795,885.84
			2,068,519.41
			749,101.37
			2,652,178.88
	4,143,302.28		9,474,263.12
			16,963,337.06
	<u>4,143,302.28</u>	<u>10,688,221.47</u>	<u>53,069,573.71</u>
<u>\$ 4,404,915.26</u>	<u>\$ 5,333,797.60</u>	<u>\$ 11,170,184.43</u>	<u>\$ 92,902,608.11</u>

This Page Intentionally Blank

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2015***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 53,069,573.71

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

Capital assets used in governmental activities are not financial resources and therefore
are not reported as assets in governmental funds. 71,048,526.82

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 1,222,332.51

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

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Compensated Absences	\$ 285,627.63	\$ 5,089,766.56	
Net Other Postemployment Benefit Obligation		24,004,785.00	
Net Pension Liability		32,677,011.00	
Total Liabilities	\$ 285,627.63	\$ 61,771,562.56	(62,057,190.19)

Total Net Position - Governmental Activities (Exhibit 1) \$ 63,283,242.85

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Road and Bridge Fund
<u>Revenues</u>		
Taxes	\$ 40,258,649.11	\$ 9,101,893.07
Licenses and Permits	863,580.88	295,656.03
Intergovernmental	5,498,940.07	4,693,128.77
Charges for Services	5,906,875.21	40,402.93
Miscellaneous	8,283,785.65	32,127.25
Total Revenues	<u>60,811,830.92</u>	<u>14,163,208.05</u>
<u>Expenditures</u>		
Current:		
General Government	23,367,939.47	
Public Safety	25,255,342.10	
Highways and Roads		15,249,710.61
Sanitation	480,240.71	
Health	564,352.03	
Welfare	199,743.65	
Culture and Recreation	4,369,449.15	
Education	351,970.82	
Capital Outlay	749,202.00	2,274,639.00
Total Expenditures	<u>55,338,239.93</u>	<u>17,524,349.61</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,473,590.99</u>	<u>(3,361,141.56)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In		5,500,000.00
Sale of Capital Assets	36,183.75	475,927.50
Transfers Out	(18,085,733.61)	
Total Other Financing Sources (Uses)	<u>(18,049,549.86)</u>	<u>5,975,927.50</u>
Net Change in Fund Balances	(12,575,958.87)	2,614,785.94
Fund Balances - Beginning of Year	<u>51,242,865.87</u>	<u>(3,043,642.98)</u>
Fund Balances - End of Year	<u>\$ 38,666,907.00</u>	<u>\$ (428,857.04)</u>

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

Reappraisal Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,731,776.22	\$	\$	\$ 52,092,318.40
		597,952.47	1,757,189.38
	8,191,224.87	2,756,038.40	21,139,332.11
		1,241,276.05	7,188,554.19
17,951.02		3,907,483.99	12,241,347.91
<u>2,749,727.24</u>	<u>8,191,224.87</u>	<u>8,502,750.91</u>	<u>94,418,741.99</u>
2,618,832.24	10,334,608.15	6,427,778.34	42,749,158.20
		3,350,123.57	28,605,465.67
		2,565,000.00	17,814,710.61
			480,240.71
			564,352.03
			199,743.65
			4,369,449.15
			351,970.82
130,895.00		51,274.00	3,206,010.00
<u>2,749,727.24</u>	<u>10,334,608.15</u>	<u>12,394,175.91</u>	<u>98,341,100.84</u>
	(2,143,383.28)	(3,891,425.00)	(3,922,358.85)
	6,300,000.00	6,285,733.61	18,085,733.61
			512,111.25
			(18,085,733.61)
	<u>6,300,000.00</u>	<u>6,285,733.61</u>	<u>512,111.25</u>
	4,156,616.72	2,394,308.61	(3,410,247.60)
	(13,314.44)	8,293,912.86	56,479,821.31
<u>\$</u>	<u>\$ 4,143,302.28</u>	<u>\$ 10,688,221.47</u>	<u>\$ 53,069,573.71</u>

This Page Intentionally Blank

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, 2015

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (3,410,247.60)

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 governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$3,206,010.00) differ from depreciation expense (\$5,265,560.58) in the current period. (2,059,550.58)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by the book value of the assets sold.

Proceeds from the Sale of Capital Assets	\$ (512,111.25)	
Gain on the Sale of Capital Assets	<u>81,917.86</u>	(430,193.39)

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:

Decrease in Compensated Absences	\$ 149,848.68	
Increase in Other Postemployment Benefit Obligation	(4,869,906.00)	
Decrease in Pension Expense	<u>272,326.51</u>	
Total		<u>(4,447,730.81)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ (10,347,722.38)

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

Statement of Fiduciary Net Position
September 30, 2015

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash	\$ 5,744,984.61	\$ 3,348,449.22
Total Assets	<u>5,744,984.61</u>	<u>3,348,449.22</u>
<u>Liabilities</u>		
Payable to External Parties	1,384,604.72	3,445,198.00
Total Liabilities	<u>1,384,604.72</u>	<u>\$ 3,445,198.00</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>\$ 4,360,379.89</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, 2015***

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Interest	\$ 1,162.74
Fiduciary Fund Receipts	2,263,638.00
Total Additions	<u>2,264,800.74</u>
<u>Deductions</u>	
Fiduciary Fund Disbursement	<u>1,610,889.65</u>
Total Deductions	<u>1,610,889.65</u>
Changes in Net Position	653,911.09
Net Position - Beginning of Year	<u>3,706,468.80</u>
Net Position - End of Year	<u>\$ 4,360,379.89</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, 2015

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues 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, 2015

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental and enterprise 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. Also, accounted for in the General Fund are workers' compensation benefits and employee health insurance to self-insure the Commission against liability claims.
- ◆ **Road and Bridge Fund** – This fund is used to account for the County's share of the following taxes, licenses and fees: 7-cent per gallon gasoline tax, motor vehicle and truck licenses and fees and drivers' license revenue. This fund also accounts for the County's Road and Bridge ad valorem tax. These revenues are expended for building and maintaining public buildings, roads and bridges.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures related to the county's reappraisal program.
- ◆ **Community Development Fund** – This fund is used to account for the expenditures related to the county's community development program.

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

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Capital Project Funds** – These fund are used to account for and report funds 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, 2015

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

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

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

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

1. Deposits and Investments

Cash includes cash on hand and demand deposits.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit. The Commission's investments consisted of certificates of deposit and money market accounts and are reported at cost.

2. Receivables

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

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

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

3. Inventories

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

4. 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 government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	40 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Vehicles	\$ 5,000	10 years
Infrastructure – Roads and Bridges	\$250,000	40 years
Data Processing Equipment	\$ 5,000	10 years
Improvements Other Than Buildings	None	15 years

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

5. Deferred Outflows of Resources

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

6. Long-Term Obligations

In the government-wide financial statements, other long-term obligations are reported as liabilities in the applicable governmental activities.

Notes to the Financial Statements

For the Year Ended September 30, 2015

7. Compensated Absences

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

Annual Leave

Annual leave is accrued according to an employee's length of service. Annual leave earned but not used during the year may be accumulated or sold back to the County at their regular rate of pay up to a maximum of two (2) weeks per year of leave time. There is no limit on the number of hours an employee may accrue. Accumulated leave is payable to the employee upon retirement with pay or, in the case of death, while actively employed, to the employee's estate.

An employee earns 10 days of leave in the first year. In year two through five, an employee earns 15 days per year. In years six through nine, an employee earns 16 days per year. Beginning in year ten, an employee's annual leave earned increases by one day per year to a maximum of 30 days earned per year. Accrued annual leave at September 30, 2015, is reported in the governmental activities.

8. Deferred Inflows of Resources

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

9. Pensions

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

10. Net Position/Fund Balances

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and the Road and Bridge Fund, with the exception of certain ad valorem taxes that are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting and for salaries and benefits that are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Budgets are adopted on a basis of accounting consistent with GAAP for the Reappraisal Fund with the exception of salaries and benefits that are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. All other governmental funds budget on a basis consistent with GAAP, except capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

B. Deficit Fund Balances/Net Position of Individual Fund

At September 30, 2015, the following governmental fund had a deficit fund balance:

Road and Bridge Fund	<u>\$428,857.04</u>
----------------------	---------------------

Note 3 – Deposits and Investments

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.

Note 4 – Receivables

On September 30, 2015, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, are as follows:

	General Fund	Road and Bridge Fund	Community Development Fund	Other Governmental Funds	Total
Receivables:					
Sales Tax	\$1,465,756.49	\$	\$	\$	\$1,465,756.49
Tobacco Tax	81,701.16				81,701.16
Intergovernmental	1,078,239.39	321,613.88	3,865,226.07	213,284.87	5,478,364.21
Total Receivables	\$2,625,697.04	\$321,613.88	\$3,865,226.07	\$213,284.87	\$7,025,821.86

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance 10/01/2014	Additions	Retirements	Balance 09/30/2015
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,988,389.00	\$ 60,001.00	\$	\$ 3,048,390.00
Construction in Progress	4,031,312.13	319,065.00		4,350,377.13
Total Capital Assets, Not Being Depreciated	<u>7,019,701.13</u>	<u>379,066.00</u>		<u>7,398,767.13</u>
Capital Assets Being Depreciated:				
Infrastructure	174,213,708.05			174,213,708.05
Buildings	39,018,826.00	445,695.00		39,464,521.00
Improvements	5,651,321.14			5,651,321.14
Equipment and Furniture	17,963,789.86	975,567.00	(370,852.00)	18,568,504.86
Data Processing Equipment	2,789,566.55	60,482.00	(5,200.00)	2,844,848.55
Vehicles	10,966,326.77	1,345,200.00	(1,374,700.43)	10,936,826.34
Total Capital Assets Being Depreciated	<u>250,603,538.37</u>	<u>2,826,944.00</u>	<u>(1,750,752.43)</u>	<u>251,679,729.94</u>
Less Accumulated Depreciation for:				
Infrastructure	(139,226,209.23)	(1,396,885.11)		(140,623,094.34)
Buildings	(22,902,605.38)	(1,213,013.95)		(24,115,619.33)
Improvements	(2,307,546.54)	(343,554.86)		(2,651,101.40)
Equipment and Furniture	(11,216,090.85)	(1,255,566.96)	293,812.40	(12,177,845.41)
Data Processing Equipment	(2,436,251.78)	(120,106.00)	5,200.00	(2,551,157.78)
Vehicles	(5,996,264.93)	(936,433.70)	1,021,546.64	(5,911,151.99)
Total Accumulated Depreciation	<u>(184,084,968.71)</u>	<u>(5,265,560.58)</u>	<u>1,320,559.04</u>	<u>(188,029,970.25)</u>
Total Capital Assets Being Depreciated, Net	66,518,569.66	(2,438,616.58)	(430,193.39)	63,649,759.69
Governmental Activities Capital Assets, Net	<u>\$ 73,538,270.79</u>	<u>\$(2,059,550.58)</u>	<u>\$ (430,193.39)</u>	<u>\$ 71,048,526.82</u>

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$2,182,433.64
Public Safety	662,256.38
Highways and Roads	2,420,870.56
Total Depreciation Expense – Governmental Activities	<u>\$5,265,560.58</u>

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, 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). *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 *Code of Alabama 1975*, Section 36-27-6.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

Notes to the Financial Statements
For the Year Ended September 30, 2015

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active Members	55,883
Total	<u>83,874</u>

Contributions

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

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, 2015, the Tuscaloosa County Commission's active employee contribution rate was 5.34 percent of covered employee payroll, and the Tuscaloosa County Commission's average contribution rate to fund the normal and accrued liability costs was 17.64 percent of covered employee payroll.

The Tuscaloosa County Commission's contractually required contribution rate for the year ended September 30, 2015, was 12.46% of pensionable pay for Tier 1 employees, and 10.16% of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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 \$2,842,262.51 for the year ended September 30, 2015.

Net Pension Liability

The Tuscaloosa County Commission's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013, rolled forward to September 30, 2014, using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2013 (a)	\$85,702,481
Entry Age Normal Cost for October 1, 2013 - September 30, 2014 (b)	1,893,833
Actual Benefit Payments and Refunds for October 1, 2013 - September 30, 2014 (c)	<u>(5,092,669)</u>
Total Pension Liability as of September 30, 2014 = [(a) x (1.08)] + (b) - [(c) x (1.04)]	<u>\$89,156,137</u>

Notes to the Financial Statements

For the Year Ended September 30, 2015

Actuarial Assumptions

The total pension liability in the September 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	3.75%-7.25%
Investment Rate of Return (*)	8.00%
(*) Net of pension plan investment expense	

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013, valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	
Total	100.00%	

Notes to the Financial Statements
For the Year Ended September 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. 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.

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, 2013	\$85,702,481	\$51,060,351	\$34,642,130
Changes for the Year:			
Service Cost	1,893,833		1,893,833
Interest	6,652,492		6,652,492
Differences Between Expected and Actual Experience			
Contributions – Employer		2,915,125	(2,915,125)
Contributions – Employee		1,284,132	(1,284,132)
Net Investment Income		6,083,165	(6,083,165)
Benefit Payments, including Refunds of Employee Contributions	(5,092,669)	(5,092,669)	
Administrative Expense			
Transfers among Employers		229,022	(229,022)
Net Changes	3,453,656	5,418,775	(1,965,119)
Balances at September 30, 2014	\$89,156,137	\$56,479,126	\$32,677,011

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

The following table presents the Tuscaloosa County Commission’s net pension liability calculated using the discount rate of 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Commission’s net pension liability	\$43,044,244	\$32,677,011	\$23,927,349

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, 2014. The supporting actuarial information is included in the GASB Statement Number 68 Report for the

ERS prepared as of September 30, 2014. The auditor’s report dated June 3, 2015, 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.

The ERS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State’s Comprehensive Annual Financial Report.

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

For the year ended September 30, 2015, the Commission recognized pension expense of \$2,569,936. At September 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		1,619,930.00
Employer contributions subsequent to the measurement date	2,842,262.51	
Total	<u>\$2,842,262.51</u>	<u>\$1,619,930.00</u>

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, 2016	\$404,983
2017	\$404,983
2018	\$404,983
2019	\$404,981
2020	\$
Thereafter	\$

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Commission is self-insured with regard to other postemployment benefits. The Commission pays an agency to administer the plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The *Code of Alabama 1975*, Sections 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report.

Notes to the Financial Statements
For the Year Ended September 30, 2015

B. Funding Policy

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2015. The Commission does not anticipate setting up a trust fund to fund its postemployment medical plan.

The Commission contributes 100% of the cost of current-year premiums for eligible retirees' medical insurance premiums for single coverage only (dependents are not included). For fiscal year 2015, the Commission contributed \$1,646,700 to cover approximately 240 participants. Plan members receiving benefits contribute 0% for single coverage costs.

C. Annual OPEB Cost

For fiscal year 2015, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical and life insurance was \$6,516,606. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2015	\$6,516,606	25.27%	\$24,004,785
09/30/2014	\$4,153,941	21.99%	\$19,134,879
09/30/2013	\$4,153,941	21.99%	\$15,894,438

D. Funded Status and Funding Progress

The funding status of the plan as of October 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$64,640,246
Actuarial Value of Plan Assets	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$64,640,246
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$22,300,196
UAAL as a Percentage of Covered Payroll	191.55%

Notes to the Financial Statements
For the Year Ended September 30, 2015

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will in future years present multiyear trend information that will show whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used was the unit credit method. The actuarial assumptions included a four (4) percent investment return assumption (or discount rate) and an annual healthcare cost trend rate of eight (8) percent initially, reduced by decrements to an ultimate rate of five (5) percent after ten years. It was assumed that 100 percent of future retirees would elect medical coverage. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over thirty (30) years.

Note 8 – Construction and Other Significant Commitments

At September 30, 2015, the Commission is obligated under significant construction contracts as follows:

	Total Amount Paid	Total Contract Amount
PARA Tennis Facility	\$ 999,999.99	\$1,000,000.00
Bowers and Sokol Park Renovations	\$1,559,404.70	\$2,259,840.00

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 9 – Contingent Liabilities

On September 1, 2000, the Commission entered into a Credit Guaranty Agreement to pay, in the event of default, all principal, interest and other debt service amounts on the Tuscaloosa County Park and Recreation Authority's (PARA) Revenue Bonds Series 2000. At September 30, 2015, the principal amount of \$1,826,809.13 in revenue bonds was outstanding. PARA is primarily responsible for repayment of interest and principal on these bonds.

The Commission is a defendant in various lawsuits. Uncertainty exists as to the number of plaintiffs and the size of any potential awards; therefore the potential liability to the Commission cannot be reasonably estimated.

Note 10 – Payables

On September 30, 2015, payables for the Commission's individual major funds and nonmajor funds in the aggregate are as follows:

	Vendors	Intergovernmental	Employee Benefits	Total Payables
Governmental Activities:				
General Fund	\$1,742,710.49	\$	\$12,961.31	\$1,755,671.80
Road and Bridge Fund	849,190.88			849,190.88
Reappraisal Fund	22,475.24	731,525.56		754,000.80
Community Development Fund	1,190,495.32			1,190,495.32
Other Governmental Funds	81,252.39			81,252.39
Total – Governmental Activities	\$3,886,124.32	\$731,525.56	\$12,961.31	\$4,630,611.19

Note 11 – Long-Term Debt

	Debt Outstanding 10/01/2014 (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities:					
Estimated Liability for Compensated Absences	\$ 5,525,242.87	\$ 36,290.39	\$ (186,139.07)	\$ 5,375,394.19	\$285,627.63
Net Other Postemployment Benefit Obligation	19,134,879.00	4,869,906.00		24,004,785.00	
Net Pension Liability	34,642,130.00		(1,965,119.00)	32,677,011.00	
Total Other Liabilities	59,302,251.87	4,906,196.39	(2,151,258.07)	62,057,190.19	285,627.63
Total Governmental Activities Long-Term Liabilities	\$59,302,251.87	\$4,906,196.39	\$(2,151,258.07)	\$62,057,190.19	\$285,627.63

(*) Beginning balance was restated due to the implementation of new GASB standards pertaining to Net Pension Liability.

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note 12 – 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 is self-insured with regard to worker's compensation insurance, employees' health insurance, and general liability insurance coverage. The Commission purchases commercial insurance for its other risks of loss, including property, vehicle and casualty insurance. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Worker's Compensation Insurance – The Commission is self-insured with regard to worker's compensation coverage. The Commission retains the risk of loss of \$900,000 per occurrence, has a specific limit of indemnity of \$1,000,000 per occurrence, and also has an aggregate limit of indemnity of \$3,000,000 for the liability period. The Commission purchases insurance for claims in excess of the specific and aggregate limits. An estimate of the claims liability is reported in the General Fund. These liabilities are based on estimates utilizing historical loss experience and current trends on a case-by-case review, as determined by an actuarial valuation. A liability analysis is performed every 3 years and was last performed at September 30, 2015. The estimated liability for claims lost as of September 30, 2015 was \$715,567.00, and was based upon the actuarial valuation performed at September 30, 2015.

Employees' Health Insurance – The Commission is self-insured with regard to employee health insurance. The Commission pays an agency to administer the plan. The Commission pays the administrator \$500.00 per employee with single coverage and \$1,100.00 per employee with family coverage each month. The Administrator was paid a total of \$8,637,838.87 during the 2015 fiscal year. The Commission purchases a stop loss insurance policy for claims in excess of \$150,000 per individual up to unlimited. The estimated liability for claims cost as of September 30, 2015 was \$175,816.35.

General Liability Insurance – The Commission is self-insured with regard to general liability insurance. The *Code of Alabama 1975*, Section 11-93-2, limits the Commission's liability for recovery of damages to \$100,000.00 per individual per incident and \$300,000.00 in the aggregate per incident. The Commission purchases an employment practices insurance policy for claims in excess of \$100,000.00 per individual per incident. At September 30, 2015, in the General Fund the Commission had \$2,652,178.88 reserved for general liability.

Notes to the Financial Statements
For the Year Ended September 30, 2015

The schedule below presents the changes in claims liabilities for the past two years for the three types of self-insured activities: workers' compensation, employee health insurance and general liability.

	Workmen's Compensation	
	2015	2014
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$715,567.00	\$479,862.00
Incurring Claims and Claims Adjustment Expenses:		
Provision for Insured Events of Current Year	292,987.70	314,435.58
Total Insured Claims and Claim Adjustment Expense	<u>292,987.70</u>	<u>314,435.58</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	285,178.31	306,473.82
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	7,809.39	7,961.76
Total Payments	<u>292,987.70</u>	<u>314,435.58</u>
Total Unpaid Claim and Claim Adjustment Expenses at End of the Fiscal Year	<u>\$715,567.00</u>	<u>\$479,862.00</u>

Note 13 – Interfund Transactions

Interfund Receivables/Payables

The amounts due to/from other funds at September 30, 2015, were as follows:

	Interfund Payables			Total
	Road and Bridge Fund	Reappraisal Fund	Other Governmental Funds	
Interfund Receivables:				
General Fund	\$5,186,477.59	\$ 6,408.51	\$348,043.89	\$5,540,929.99
Road and Bridge Fund		5,853.03		5,853.03
Total	<u>\$5,186,477.59</u>	<u>\$12,261.54</u>	<u>\$348,043.89</u>	<u>\$5,546,783.02</u>

Notes to the Financial Statements
For the Year Ended September 30, 2015

Employees Health Insurance		General Liability		Totals	
2015	2014	2015	2014	2015	2014
\$ 133,894.78	\$ 124,981.55	\$	\$	\$ 849,461.78	\$ 604,843.55
8,637,838.87	6,617,443.44	5,019.83	59,273.60	8,935,846.40	6,991,152.62
8,637,838.87	6,617,443.44	5,019.83	59,273.60	8,935,846.40	6,991,152.62
8,462,622.52	6,484,148.66	5,019.83	59,273.60	8,752,820.66	6,849,896.08
133,294.78	124,381.55			141,104.17	132,343.31
8,595,917.30	6,608,530.21	5,019.83	59,273.60	8,893,924.83	6,982,239.39
\$ 175,816.35	\$ 133,894.78	\$	\$	\$ 891,383.35	\$ 613,756.78

Interfund Transfers

	Transfers Out General Fund	Total
Transfers In:		
Road and Bridge Fund	\$ 5,500,000.00	\$ 5,500,000.00
Community Development Fund	6,300,000.00	6,300,000.00
Other Governmental Funds	6,285,733.61	6,285,733.61
Total	<u>\$18,085,733.61</u>	<u>\$18,085,733.61</u>

The Commission typically used transfers to fund ongoing operations.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 14 – Related Organizations

A majority of the members of the Board of the following organizations are appointed by the Tuscaloosa County Commission: Fosters/Ralph Water Authority; Sand Springs Water Authority; Buhl, Elrod, and Holman Water Authority; Carroll’s Creek Water Authority; Coaling Water Authority; and Coker Water Authority. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship for the organizations and the organizations are not considered part of the Commission’s financial reporting entity. The organizations are considered related organizations of the County Commission.

Note 15 – Restatements

In fiscal year 2015, the Tuscaloosa County Commission adopted Governmental Account Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Tuscaloosa County Commission’s financial statements. For fiscal year 2015, Tuscaloosa County Commission made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position in governmental activities. The result is a decrease in net position at October 1, 2014, of \$31,727,005.00.

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

Governmental Activities Net Position – Balance, September 30, 2014, as Previously Reported	\$105,357,970.23
<u>Restatement of Net Position:</u>	
Net Pension Liability Due to Adoption of GASB 68	(31,727,005.00)
Governmental Activities Net Position, September 30, 2014, as Restated	<u>\$ 73,630,965.23</u>

Required Supplementary Information

***Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2015***

	2015
<u>Total pension liability</u>	
Service cost	\$ 1,893,833
Interest	6,652,492
Benefit payments, including refunds of employee contributions	<u>(5,092,669)</u>
Net change in total pension liability	3,453,656
Total pension liability - beginning	<u>85,702,481</u>
Total pension liability - ending (a)	<u><u>\$ 89,156,137</u></u>
<u>Plan fiduciary net position</u>	
Contributions - employer	\$ 2,915,125
Contributions - employee	1,284,132
Net investment income	6,083,165
Benefit payments, including refunds of employee contributions	(5,092,669)
Other (Transfers among employers)	<u>229,022</u>
Net change in plan fiduciary net position	5,418,775
Plan fiduciary net positions - beginning	<u>51,060,351</u>
Plan fiduciary net positions - ending (b)	<u><u>\$ 56,479,126</u></u>
County's net pension liability - ending (a) - (b)	\$ 32,677,011
Plan fiduciary net position as a percentage of the total pension liability	63.35%
Covered-employee payroll	\$ 23,647,301
County's net pension liability as a percentage of covered-employee payroll	138.18%

***Schedule of the Employer's Contributions
For the Year Ended September 30, 2015***

	2015	2014
Actuarially determined contribution	\$ 2,842,263	\$ 2,864,324
Contributions in relation to the actuarially determined contribution	<u>\$ 2,842,263</u>	<u>\$ 2,864,324</u>
Contribution deficiency (excess)	\$	\$
Covered-employee payroll	\$ 23,177,010	\$ 23,647,301
Contributions as a percentage of covered-employee payroll	12.26%	12.11%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	Original	Final	Budgetary Basis
<u>Revenues</u>			
Taxes	\$ 39,444,000.00	\$ 39,444,000.00	\$ 40,316,536.48
Licenses and Permits	815,000.00	815,000.00	863,580.88
Intergovernmental	5,764,000.00	5,764,000.00	5,498,940.07
Charges for Services	6,452,000.00	6,452,000.00	5,906,875.21
Miscellaneous	243,500.00	243,500.00	8,283,780.61
Total Revenues	52,718,500.00	52,718,500.00	60,869,713.25
<u>Expenditures</u>			
Current:			
General Government	13,583,797.00	13,583,797.00	23,316,503.50
Public Safety	24,759,809.00	24,759,809.00	25,194,812.43
Sanitation	530,007.00	530,007.00	478,324.69
Health	611,965.00	611,965.00	564,200.11
Welfare	212,405.00	212,405.00	199,743.65
Culture and Recreation	4,410,490.00	4,410,490.00	4,369,449.15
Education	407,640.00	407,640.00	351,970.82
Capital Outlay	1,790,700.00	1,790,700.00	749,202.00
Total Expenditures	46,306,813.00	46,306,813.00	55,224,206.35
Excess (Deficiency) of Revenues Over Expenditures	6,411,687.00	6,411,687.00	5,645,506.90
<u>Other Financing Sources (Uses)</u>			
Transfers Out	(6,411,687.00)	(6,411,687.00)	(18,085,733.61)
Proceeds from Sale of Capital Assets			36,183.75
Total Other Financing Sources (Uses)	(6,411,687.00)	(6,411,687.00)	(18,049,549.86)
Net Change in Fund Balances			(12,404,042.96)
Fund Balances - Beginning of Year			53,153,137.41
Fund Balances - End of Year	\$	\$	\$ 40,749,094.45

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ (57,887.37)	\$ 40,258,649.11
		863,580.88
		5,498,940.07
		5,906,875.21
(2)	5.04	8,283,785.65
	<u>(57,882.33)</u>	<u>60,811,830.92</u>
(3)	(51,435.97)	23,367,939.47
(3)	(60,529.67)	25,255,342.10
(3)	(1,916.02)	480,240.71
(3)	(151.92)	564,352.03
		199,743.65
		4,369,449.15
		351,970.82
		749,202.00
	<u>(114,033.58)</u>	<u>55,338,239.93</u>
	<u>(171,915.91)</u>	<u>5,473,590.99</u>
		(18,085,733.61)
		36,183.75
		<u>(18,049,549.86)</u>
	(171,915.91)	(12,575,958.87)
(4)	<u>(1,910,271.54)</u>	<u>51,242,865.87</u>
	<u>\$ (2,082,187.45)</u>	<u>\$ 38,666,907.00</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015***

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

- (1) The Commission budgets ad valorem taxes as received, rather than on the modified accrual basis (GAAP).
- (2) Some revenues are combined with the General Fund for reporting purposes, but are budgeted separately.

Tax Assessor Special Revenue Fund	\$	1.23
Tax Collector Special Revenue Fund		3.81
		3.81

- (3) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

Net Decrease in Fund Balance - Budget to GAAP

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

\$ (57,887.37)

5.04

(114,033.58)

\$ (171,915.91)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road and Bridge Fund
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 8,655,000.00	\$ 8,655,000.00	\$ 9,209,202.05
Licenses and Permits	385,000.00	385,000.00	295,656.03
Intergovernmental	3,742,000.00	3,742,000.00	3,960,456.63
Charges for Service	10,000.00	10,000.00	40,402.93
Miscellaneous	130,500.00	130,500.00	31,524.88
Total Revenues	<u>12,922,500.00</u>	<u>12,922,500.00</u>	<u>13,537,242.52</u>
Expenditures			
Current:			
Highways and Roads	19,844,000.00	19,844,000.00	14,389,845.62
Capital Outlay	1,943,500.00	1,943,500.00	2,274,639.00
Total Expenditures	<u>21,787,500.00</u>	<u>21,787,500.00</u>	<u>16,664,484.62</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,865,000.00)</u>	<u>(8,865,000.00)</u>	<u>(3,127,242.10)</u>
Other Financing Sources (Uses)			
Transfers In	8,865,000.00	8,865,000.00	5,500,000.00
Proceeds from Sale of Capital Assets			475,927.50
Total Other Financing Sources (Uses)	<u>8,865,000.00</u>	<u>8,865,000.00</u>	<u>5,975,927.50</u>
Net Change in Fund Balances			2,848,685.40
Fund Balances - Beginning of Year			<u>(3,625,308.63)</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ (776,623.23)</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ (107,308.98)	\$ 9,101,893.07
		295,656.03
(2)	732,672.14	4,693,128.77
		40,402.93
(2)	602.37	32,127.25
	<u>625,965.53</u>	<u>14,163,208.05</u>
(3) (4)	(859,864.99)	15,249,710.61
		2,274,639.00
	<u>(859,864.99)</u>	<u>17,524,349.61</u>
	<u>(233,899.46)</u>	<u>(3,361,141.56)</u>
		5,500,000.00
		475,927.50
		<u>5,975,927.50</u>
	(233,899.46)	2,614,785.94
(5)	<u>581,665.65</u>	<u>(3,043,642.98)</u>
	<u>\$ 347,766.19</u>	<u>\$ (428,857.04)</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road and Bridge Fund
For the Year Ended September 30, 2015***

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

(1) The Commission budgets ad valorem taxes as received, rather than on the modified accrual basis (GAAP).

(2) Some revenues are combined with the Road and Bridge Fund for reporting purposes, but are budgeted separately.

Capital Improvement Fund	\$ 733,274.51
--------------------------	---------------

(3) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

(4) Some Expenditures are combined with the Road and Bridge for reporting purposes, but are budgeted separately.

Capital Improvement Fund	\$ (800,000.00)
--------------------------	-----------------

Net Decrease in Fund Balance - Budget to GAAP

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

\$ (107,308.98)

733,274.51

(59,864.99)

(800,000.00)

\$ (233,899.46)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 3,540,544.00	\$ 3,540,544.00	\$ 2,731,776.22
Miscellaneous			17,951.02
Total Revenues	<u>3,540,544.00</u>	<u>3,540,544.00</u>	<u>2,749,727.24</u>
Expenditures			
Current:			
General Government	3,247,044.00	3,247,044.00	2,610,762.22
Capital Outlay	293,500.00	293,500.00	130,895.00
Total Expenditures	<u>3,540,544.00</u>	<u>3,540,544.00</u>	<u>2,741,657.22</u>
Excess (Deficiency) of Revenues Over Expenditures			<u>8,070.02</u>
Net Change in Fund Balances			8,070.02
Fund Balances - Beginning of Year			<u>90,038.90</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 98,108.92</u>

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

- (1) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

Net Decrease in Fund Balance - Budget to GAAP

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



	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 2,731,776.22
		17,951.02
		<u>2,749,727.24</u>
(1)	(8,070.02)	2,618,832.24
		130,895.00
	<u>(8,070.02)</u>	<u>2,749,727.24</u>
	<u>(8,070.02)</u>	
	(8,070.02)	
(2)	<u>(90,038.90)</u>	
	<u>\$ (98,108.92)</u>	<u>\$</u>
	<u>\$ (8,072.02)</u>	
	<u>\$ (8,072.02)</u>	

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Community Development Fund
For the Year Ended September 30, 2015***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Charges for Services	\$ 300,000.00	\$ 300,000.00	\$ 8,191,224.87
Total Revenues	<u>300,000.00</u>	<u>300,000.00</u>	<u>8,191,224.87</u>
<u>Expenditures</u>			
Current:			
General Government	150,000.00	150,000.00	10,334,608.15
Capital Outlay	350,000.00	350,000.00	
Total Expenditures	<u>500,000.00</u>	<u>500,000.00</u>	<u>10,334,608.15</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(200,000.00)</u>	<u>(200,000.00)</u>	<u>(2,143,383.28)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	200,000.00	200,000.00	6,300,000.00
Total Other Financing Sources (Uses)	<u>200,000.00</u>	<u>200,000.00</u>	<u>6,300,000.00</u>
Net Change in Fund Balances			4,156,616.72
Fund Balances - Beginning of Year			<u>(13,314.44)</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 4,143,302.28</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 8,191,224.87
	8,191,224.87
	10,334,608.15
	10,334,608.15
	(2,143,383.28)
	6,300,000.00
	6,300,000.00
	4,156,616.72
	(13,314.44)
\$	\$ 4,143,302.28

***Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2015***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/2014	\$0	\$64,640,246	\$64,640,246	0%	\$22,300,196	191.55%
10/01/2012	\$0	\$39,494,061	\$39,494,061	0%	\$22,666,669	174.24%
10/01/2010	\$0	\$38,066,822	\$38,066,822	0%	\$21,752,099	175.00%

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number
<u>U. S. Department of Agriculture</u>	
<u>Passed Through Alabama Department of Finance</u>	
Schools and Roads - Grants to States (Note 2)	10.665
<u>U. S. Department of Commerce</u>	
<u>Direct Program</u>	
Investments for Public Works and Economic Development Facilities (M)	11.300
<u>U. S. Department of Housing and Urban Development</u>	
<u>Passed Through Alabama Department of Economic and Community Affairs</u>	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (M)	
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (M)	14.269
Total U. S. Department of Housing and Urban Development	
<u>U. S. Department of Interior</u>	
<u>Direct Program</u>	
Payments in Lieu of Taxes	15.226
<u>U. S. Department of Justice</u>	
<u>Direct Program</u>	
Public Safety Partnership and Community Policing Grants	16.710
<u>Passed Through City of Tuscaloosa</u>	
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Total U. S. Department of Justice	
<u>U. S. Department of Transportation</u>	
<u>Passed Through Shelton State Community College</u>	
State and Community Highway Safety	20.600
State and Community Highway Safety	20.600
Total State and Community Highway Safety	
Total U. S. Department of Transportation	
Sub-Total Forward	

Pass-Through Grantor's Number	Assistance Period	Expenditures
N/A	10/01/2014-09/30/2015	\$ 10,167.15
04-79-06986	N/A	930,385.18
DTR-12-09	01/15/2013-00/00/0000	1,595,175.77
CY-ED-PF-13-017	09/23/2014-00/00/0000	<u>25,337.00</u>
DTR-13-02	12/16/2013-12/15/2015	1,620,512.77
		<u>5,166,517.57</u>
		<u>6,787,030.34</u>
N/A	10/01/2014-09/30/2015	24,158.00
2011-UM-WX-008	09/01/2011-09/30/2015	98,437.00
2015-H2656-AL-DJ	10/01/2014-09/30/2015	<u>26,518.00</u>
		<u>124,955.00</u>
15-SP-PT-002	11/22/2014-07/31/2015	17,117.39
15-HS-M5-002	12/20/2014-07/31/2015	<u>16,501.64</u>
		<u>33,619.03</u>
		<u>33,619.03</u>
		\$ 7,910,314.70

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number
---	------------------------------------

Sub-Total Brought Forward

General Services Administration

Passed Through Alabama Department of Economic and Community Affairs

Donation of Federal Surplus Personal Property (N)	39.003
---	--------

U. S. Department of Homeland Security

Passed Through Alabama Department of Homeland Security

Homeland Security Grant Program	97.067
Total Homeland Security Grant Program	

Passed Through Alabama Emergency Management Agency

Disaster Grants - Public Assistance	97.036
Hazard Mitigation Grant	97.039
Total U. S. Department of Homeland Security	

Total Expenditures of Federal Awards

(M) = Major Program

(N) = Non-Cash Assistance

N/A = Not Available or Not Applicable

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

Pass-Through Grantor's Number	Assistance Period	Expenditures
		\$ 7,910,314.70
N/A	10/01/2014-09/30/2015	9,788.03
HS 3LEL	09/01/2013-08/31/2015	37,401.79
3ATL/3FIL/3ICL	09/01/2013-08/31/2015	14,000.00
3FIL	09/01/2013-08/31/2015	15,092.69
3ICL	09/01/2013-08/31/2015	2,000.00
3FIL	09/01/2013-08/31/2015	1,950.46
		<u>70,444.94</u>
FEMA-4176-PA-AL	05/02/2014-11/02/2015	192,543.00
N/A	10/01/2014-09/30/2015	65,765.82
		<u>258,308.82</u>
		<u>\$ 8,248,856.49</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2015***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Tuscaloosa County Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the primary government financial statements.

Note 2 – Subrecipients

Of the federal expenditures presented in the schedule, the Tuscaloosa County Commission provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Schools and Roads – Grants to States	10.665	<u>\$5,083.58</u>

Note 3 – CDBG Program

The commission received federal awards under the Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii (CFDA Number 14.228). However, pursuant to instructions from the pass-through entity, the compliance requirements relative to the Community Development Block Grants/Entitlement Grants (CFDA Number 14.218) were used for compliance testing.

Additional Information

Commission Members and Administrative Personnel
October 1, 2014 through September 30, 2015

Commission Members		Term Expires
Hon. W. Hardy McCollum	Chairman	2018
Hon. Stan Acker	Member	2016
Hon. Reginald Murray	Member	2016
Hon. Bobby Miller	Member	Deceased
Hon. Jerry Tingle	Member	2016
<u>Administrative Personnel</u>		
Mr. William Lamb	Chief Financial Officer	
Mr. Melvin Vines	County Administrator	

***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

To: Members of the Tuscaloosa County Commission, County Administrator and Chief Financial Officer

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuscaloosa County Commission, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Tuscaloosa County Commission's basic financial statements, and have issued our report thereon dated September 27, 2016.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 27, 2016

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Independent Auditor's Report

To: Members of the Tuscaloosa County Commission, County Administrator and Chief Financial Officer

Report on Compliance for Each Major Federal Program

We have audited the Tuscaloosa County Commission's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Tuscaloosa County Commission's major federal programs for the year ended September 30, 2015. The Tuscaloosa County Commission's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Tuscaloosa County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Tuscaloosa 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 Tuscaloosa County Commission's compliance.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Opinion on Each Major Federal Program

In our opinion, the Tuscaloosa 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 each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Tuscaloosa 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 Tuscaloosa County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Tuscaloosa County Commission's internal control over compliance.

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

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

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

September 27, 2016

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

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

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Significant deficiency(ies) identified? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants
11.300	Investments for Public Works and Economic Development Facilities
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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