

Report on the

# **Tuscaloosa County Commission**

**Tuscaloosa County, Alabama**

**October 1, 2016 through September 30, 2017**

Filed: September 28, 2018



## **Department of Examiners of Public Accounts**

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
Chief Examiner

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

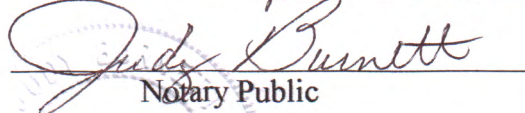
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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

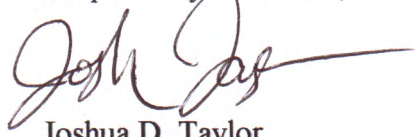
Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, I submit this report on the results of the audit of the Tuscaloosa County Commission, Tuscaloosa County, Alabama, for the period October 1, 2016 through September 30, 2017.

Sworn to and subscribed before me this  
the 10 day of September, 2018.

  
Notary Public

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Respectfully submitted,

  
Joshua D. Taylor  
Examiner of Public Accounts



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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Tuscaloosa County Commission  
October 1, 2016 through September 30, 2017**

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 16. 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. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12, as added by Act Number 2018-129.

An unmodified opinion was issued on the 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, 2017.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below.

**CURRENT FINDING**

- ◆ 2017-001 relates to the Tuscaloosa County Commission having a deficit fund balance in the Road and Bridge Fund.

Commission members and administrative personnel, as reflected on Exhibit 16, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: County Administrator, Melvin Vines; Chief Financial Officer, William Lamb; Commission Chairman, Hardy McCollum; and County Commissioners: Stan Acker, Jerry Tingle, Mark Nelson and Reginald Murray. Also in attendance was a representative of the Department of Examiners of Public Accounts: Joshua D. Taylor, Examiner.

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*Schedule of State and Local  
Compliance and Other Findings*

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***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2017***

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Ref. No.	Finding/Noncompliance		
2017-001	<p data-bbox="358 359 477 390"><b><u>Finding:</u></b></p> <p data-bbox="358 394 1422 537">Deficit fund balances result when the Commission expends more funds than it has in available resources. The <i>Code of Alabama 1975</i>, Section 11-8-10, provides a County Commission should issue no warrant unless funds are available for payment. The following fund had deficit fund balance at September 30, 2017.</p> <table border="1" data-bbox="621 573 1156 674"><tr><td data-bbox="638 604 906 636">Road and Bridge Fund</td><td data-bbox="984 604 1149 636"><u>\$1,575,551.41</u></td></tr></table> <p data-bbox="358 716 607 747"><b><u>Recommendation:</u></b></p> <p data-bbox="358 751 1422 821">The Commission should take proper measures to eliminate and prevent deficit fund balances.</p>	Road and Bridge Fund	<u>\$1,575,551.41</u>
Road and Bridge Fund	<u>\$1,575,551.41</u>		

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# *Independent Auditor's Report*

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuscaloosa County Commission, as of and for the year ended September 30, 2017, 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, 2017, 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.

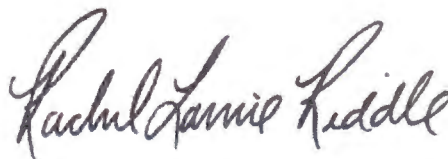
### **Other Matters**

#### *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.

**Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated August 28, 2018, 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 solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tuscaloosa County Commission 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.

A handwritten signature in black ink, reading "Rachel Laurie Riddle". The signature is written in a cursive, flowing style.

Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

August 28, 2018

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*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, 2017. 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.

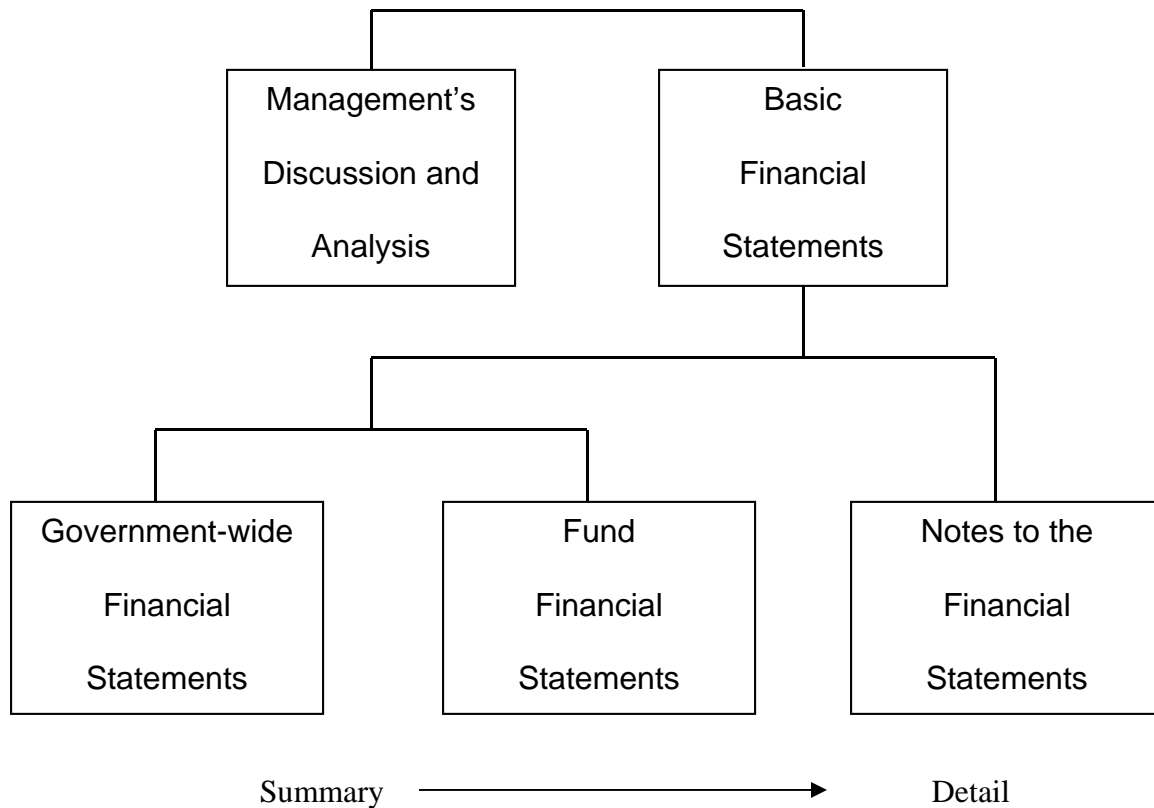
### **Financial Highlights**

- 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 \$48,465,995.58 (*net position*).
- As of the close of the current fiscal year, the Tuscaloosa County Commission's governmental funds reported combined ending fund balances of \$43,903,801.35. Of this amount \$17,241,885.26 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 \$19,876,154.22.
- 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 17th 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

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 \$54,552,614.82 as of September 30, 2017.

For the year ending September 30, 2017, Tuscaloosa County's net position is presented in Figure 2 as follows:

**Tuscaloosa County's Net Position**  
**Figure 2**

	<b>Governmental Activities 2017</b>	<b>Governmental Activities 2016</b>
Current and other assets	\$ 78,026,944	\$ 84,151,089
Capital Assets, net	77,322,684	69,874,131
Total Assets	<u>155,349,628</u>	<u>154,025,219</u>
Deferred Outflows of Resources		
Employer Pension Contribution	2,900,142	2,986,042
Proportionate Share of Collective		
Onflows-Defined Benefit Pension Plans	4,998,281	3,272,201
Total Deferred Outflows	<u>7,898,423</u>	<u>6,258,243</u>
Long-term liabilities outstanding	80,474,383	73,372,444
Other liabilities	6,167,365	4,830,324
Total liabilities	<u>86,641,748</u>	<u>78,202,769</u>
Deferred Inflows of Resources		
Unavailable Revenue-Property Tax	26,750,376	26,227,985
Revenue Received in Advance-Motor		
Vehicles Taxes	1,205,402	1,300,094
Proportionate Share of Collective		
Inflows-Defined Benefit Pension Plans	184,530	
Total Deferred Inflows of Resources	<u>28,140,308</u>	<u>27,528,079</u>
Net position:		
Net Investment in capital assets	7,322,684	69,874,131
Restricted	7,752,134	15,403,521
Unrestricted	(36,608,822)	(30,725,037)
Total net position	<u>\$ 48,465,995</u>	<u>\$ 54,552,615</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**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Revenues:		
Program revenues:		
Charges for services	\$7,831,982	\$8,120,952
Operating grants and contributions	\$20,762,663	\$10,794,971
Capital grants and contributions		
General revenues:		
Property taxes	\$29,412,342	\$28,714,231
Other taxes	\$24,322,860	\$23,410,232
Grants and contributions not restricted to specific programs	\$2,271,640	\$2,168,995
Other	\$15,041,727	\$12,646,893
Total revenues	<u>\$99,643,214</u>	<u>\$85,856,274</u>
Expenses:		
General government	\$34,316,094	\$35,639,871
Public safety	\$31,513,766	\$29,989,504
Highways and Roads	\$33,933,377	\$22,863,131
Sanitation	\$500,396	\$480,104
Health	\$725,548	\$649,751
Welfare	\$200,800	\$197,901
Culture and Recreation	\$4,298,451	\$4,389,061
Education	\$241,401	\$377,578
Miscellaneous	\$0	\$0
Interest on Long-Term Debt	\$0	\$0
Total expenses	<u>\$105,729,833</u>	<u>\$94,586,902</u>
Decrease in Net position	<u>(\$6,086,619)</u>	<u>(\$8,730,628)</u>
Net position, October 1,	<u>\$54,522,615</u>	<u>\$63,283,243</u>
Net position, September 30	<u><u>\$48,465,996</u></u>	<u><u>\$54,552,615</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 \$38,785,936.75, an increase of \$466,420.07. 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 E-911 Communications Fund. The Road and Bridge Fund's purpose is to account for the expenditures of funds ear marked for the building and maintenance of the County's roads and bridges. The fund balance of the Road and Bridge Fund decreased \$867,965.62 during the year. This was primarily due to 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 E-911 Communications Fund's purpose is to account for expenditures related to the county's E-911 communications program. The fund balance for this fund decreased by \$7,667,510.96 due to a new building.

At September 30, 2017, the governmental funds of Tuscaloosa County reported a combined fund balance of \$43,903,801.35.

### **Capital Asset and Debt Administration**

**Capital Assets.** Tuscaloosa County's capital assets for its governmental activities as of September 30, 2017, totals \$77,322,684.09 (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**

	Governmental Activities	Governmental Activities
	2017	2016
Land	\$ 3,053,785	\$ 3,048,390
Buildings and improvements	\$45,758,770	\$44,693,185
Improvements other than buildings	\$5,651,321	\$5,651,321
Equipment and Furniture	\$18,402,696	\$18,716,093
Infrastructure	\$174,213,708	\$174,213,708
Data Processing Equipment	\$2,925,662	\$2,766,603
Vehicles and motorized equipment	\$11,952,850	\$11,787,804
Construction in progress	\$11,912,213	\$1,798,628
Less: Accumulated Depreciation	(\$196,548,321)	(\$192,801,601)
Total	<u>\$77,322,684</u>	<u>\$69,874,131</u>

Additional information on the County's capital assets can be found in note 5 of the Basic Financial Statements.

**Long-term Debt.** As of September 30, 2017, 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 271.
- New private capital announced totaled \$17.45 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.

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# *Basic Financial Statements*

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# ***Statement of Net Position***

## ***September 30, 2017***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash	\$ 41,568,813.61
Investments	3,722,204.46
Receivables (Note 4)	5,928,022.39
Ad Valorem Taxes Receivable	26,750,376.39
Inventories	57,527.41
Capital Assets (Note 5):	
Nondepreciable	14,965,998.00
Depreciable, Net	62,356,686.09
Total Assets	<u>155,349,628.35</u>
<b><u>Deferred Outflows of Resources</u></b>	
Employer Pension Contribution	2,900,142.26
Proportionate Share of Collective Deferred Outflows Related to Defined Benefit Pension Plans	<u>4,998,281.00</u>
Total Deferred Outflows of Resources	<u>7,898,423.26</u>
<b><u>Liabilities</u></b>	
Payables (Note 10)	4,429,974.15
Accrued Wages Payable	819,382.61
Health Claims Payable	202,440.87
Worker's Compensation Claims Payable	715,567.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	284,073.60
Portion Due or Payable After One Year:	
Compensated Absences	5,209,279.52
Net Other Postemployment Benefit Obligation	33,116,289.00
Net Pension Liability	41,864,741.00
Total Liabilities	<u>86,641,747.75</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable Revenue - Property Tax	26,750,376.39
Revenue Received in Advance - Motor Vehicle Taxes	1,205,401.89
Proportionate Share of Collective Deferred Inflows Related to Defined Benefit Pension Plans	<u>184,530.00</u>
Total Deferred Inflows of Resources	<u>28,140,308.28</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	77,322,684.09
Restricted for Public Safety	4,588,213.16
Restricted for Other Purposes	3,163,920.40
Unrestricted	<u>(36,608,822.07)</u>
Total Net Position	<u>\$ 48,465,995.58</u>

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

***Statement of Activities***  
***For the Year Ended September 30, 2017***

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b><u>Primary Government</u></b>			
<b><u>Governmental Activities:</u></b>			
General Government	\$ 34,316,094.00	\$ 6,337,537.86	\$ 1,846,719.02
Public Safety	31,513,766.05	1,494,443.90	1,381,861.23
Highways and Roads	33,933,377.11		16,825,305.89
Sanitation	500,396.44		8,205.93
Health	725,547.59		621,840.36
Welfare	200,799.59		3,334.78
Culture and Recreation	4,298,450.58		71,386.62
Education	241,401.54		4,009.08
Total Governmental Activities	\$ 105,729,832.90	\$ 7,831,981.76	\$ 20,762,662.91

**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 Sale of Capital Assets

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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



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	Net (Expenses) Revenues and Changes in Net Position
Capital Grants and Contributions	Total Governmental Activities
\$	\$ (26,131,837.12)
	(28,637,460.92)
	(17,108,071.22)
	(492,190.51)
	(103,707.23)
	(197,464.81)
	(4,227,063.96)
	(237,392.46)
\$	<u>(77,135,188.23)</u>

26,369,717.82
3,042,624.00
12,045,033.00
9,664,127.63
2,613,699.24
2,271,639.82
253,447.87
58,307.85
14,729,971.76
<u>71,048,568.99</u>
(6,086,619.24)
<u>54,552,614.82</u>
<u>\$ 48,465,995.58</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2017***

	<b>General Fund</b>	<b>Road and Bridge Fund</b>
<b><u>Assets</u></b>		
Cash	\$ 29,372,624.12	\$ 3,147,783.89
Investments	3,722,204.46	
Receivables (Note 4)	2,719,344.25	2,740,198.17
Ad Valorem Taxes Receivable	15,446,164.33	7,565,354.06
Interfund Receivables	6,127,816.15	23,842.50
Inventories		57,527.41
Total Assets	<u>57,388,153.31</u>	<u>13,534,706.03</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Payables (Note 10)	849,526.70	1,236,242.76
Interfund Payables		5,711,507.44
Accrued Wages Payable	579,291.39	200,977.56
Health Claims Payable	202,440.87	
Worker's Compensation Claims Payable	715,567.00	
Total Liabilities	<u>2,346,825.96</u>	<u>7,148,727.76</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue - Property Taxes	15,446,164.33	7,565,354.06
Revenue Received in Advance - Motor Vehicle Taxes	809,226.27	396,175.62
Total Deferred Inflows of Resources	<u>16,255,390.60</u>	<u>7,961,529.68</u>
<b><u>Fund Balances</u></b>		
Nonspendable:		
Inventory		57,527.41
Noncurrent Receivables	360,284.36	
Restricted for:		
Public Safety		
Highways and Roads		1,001,190.14
Other Purposes		
Committed to:		
Retirement	2,000,000.00	
Assigned to:		
Community Projects	5,387,573.17	
Worker's Compensation Insurance	1,907,385.53	
General Liability Insurance	2,792,082.52	
Other Purposes	6,462,456.95	
Unassigned	19,876,154.22	(2,634,268.96)
Total Fund Balances	<u>38,785,936.75</u>	<u>(1,575,551.41)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 57,388,153.31</u>	<u>\$ 13,534,706.03</u>

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

Reappraisal Fund	E-911 Communications Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,415,872.27	\$ 3,029,686.64	\$ 4,602,846.69	\$ 41,568,813.61
			3,722,204.46
		468,479.97	5,928,022.39
3,738,858.00			26,750,376.39
			6,151,658.65
			57,527.41
5,154,730.27	3,029,686.64	5,071,326.66	84,178,602.91
1,308,267.30	855,998.22	179,939.17	4,429,974.15
68,491.31	371,659.90		6,151,658.65
39,113.66			819,382.61
			202,440.87
			715,567.00
1,415,872.27	1,227,658.12	179,939.17	12,319,023.28
3,738,858.00			26,750,376.39
			1,205,401.89
3,738,858.00			27,955,778.28
			57,527.41
			360,284.36
	1,802,028.52	2,786,184.64	4,588,213.16
		1,271,770.40	2,272,960.54
		833,432.45	833,432.45
			2,000,000.00
			5,387,573.17
			1,907,385.53
			2,792,082.52
			6,462,456.95
			17,241,885.26
	1,802,028.52	4,891,387.49	43,903,801.35
\$ 5,154,730.27	\$ 3,029,686.64	\$ 5,071,326.66	\$ 84,178,602.91

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2017***

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Total Fund Balances - Governmental Funds (Exhibit 3) \$ 43,903,801.35

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. 77,322,684.09

Deferred outflows and inflows of resources related to pensions are applicable to  
future periods and, therefore, are not reported in the governmental funds. 7,713,893.26

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	\$ 284,073.60	\$ 5,209,279.52	
Net Other Postemployment Benefit Obligation		33,116,289.00	
Net Pension Liability		41,864,741.00	
Total Liabilities	\$ 284,073.60	\$ 80,190,309.52	(80,474,383.12)

Total Net Position - Governmental Activities (Exhibit 1) \$ 48,465,995.58

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, 2017***

	General Fund	Road and Bridge Fund
<b><u>Revenues</u></b>		
Taxes	\$ 41,513,004.45	\$ 9,578,148.84
Licenses and Permits	762,775.90	319,673.91
Intergovernmental	4,804,934.92	14,064,700.95
Charges for Services	5,278,112.39	691.88
Miscellaneous	10,866,823.24	114,816.53
Total Revenues	63,225,650.90	24,078,032.11
<b><u>Expenditures</u></b>		
Current:		
General Government	25,359,101.15	
Public Safety	25,571,682.21	
Highways and Roads		27,040,332.73
Sanitation	494,570.19	
Health	725,547.59	
Welfare	200,799.59	
Culture and Recreation	4,298,450.58	
Education	241,401.54	
Capital Outlay	1,811,331.02	3,200,469.00
Total Expenditures	58,702,883.87	30,240,801.73
Excess (Deficiency) of Revenues Over Expenditures	4,522,767.03	(6,162,769.62)
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	1,200,000.00	3,609,804.00
Sale of Capital Assets	307.50	2,185,000.00
Transfers Out	(5,256,654.46)	(500,000.00)
Total Other Financing Sources (Uses)	(4,056,346.96)	5,294,804.00
Net Change in Fund Balances	466,420.07	(867,965.62)
Fund Balances - Beginning of Year	38,319,516.68	(707,585.79)
Fund Balances - End of Year	\$ 38,785,936.75	\$ (1,575,551.41)

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

Reappraisal Fund	E-911 Communications Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,644,048.40	\$	\$	\$ 53,735,201.69
		494,212.15	1,576,661.96
		4,238,316.86	23,107,952.73
		894,278.53	6,173,082.80
16,806.81	3,992,573.35	986.70	14,992,006.63
2,660,855.21	3,992,573.35	5,627,794.24	99,584,905.81
2,594,998.23		2,530,525.07	30,484,624.45
	1,546,499.31	1,263,947.00	28,382,128.52
		2,600,000.00	29,640,332.73
			494,570.19
			725,547.59
			200,799.59
			4,298,450.58
			241,401.54
65,856.98	10,113,585.00		15,191,242.00
2,660,855.21	11,660,084.31	6,394,472.07	109,659,097.19
	(7,667,510.96)	(766,677.83)	(10,074,191.38)
		1,646,850.46	6,456,654.46
			2,185,307.50
		(700,000.00)	(6,456,654.46)
		946,850.46	2,185,307.50
	(7,667,510.96)	180,172.63	(7,888,883.88)
	9,469,539.48	4,711,214.86	51,792,685.23
\$	\$ 1,802,028.52	\$ 4,891,387.49	\$ 43,903,801.35

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***Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2017***

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Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (7,888,883.88)

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 (\$15,191,242.00) differ from depreciation expense (\$5,615,689.00) in the current period. 9,575,553.00

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	\$ (2,185,307.50)	
Loss on the Sale of Capital Assets	<u>58,307.85</u>	(2,126,999.65)

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	\$ 33,121.32	
Increase in Other Postemployment Benefit Obligation	(4,241,598.00)	
Increase in Pension Expense	<u>(1,437,812.03)</u>	
Total		<u>(5,646,288.71)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ (6,086,619.24)

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



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***Statement of Fiduciary Net Position***  
***September 30, 2017***

	Private-Purpose Trust Funds	Agency Funds
<hr/>		
<b><u>Assets</u></b>		
Cash	\$ 6,961,279.40	\$ 4,193,297.97
Total Assets	<u>6,961,279.40</u>	<u>4,193,297.97</u>
<b><u>Liabilities</u></b>		
Payable to External Parties	1,432,951.99	4,193,297.97
Total Liabilities	<u>1,432,951.99</u>	<u>\$ 4,193,297.97</u>
<b><u>Net Position</u></b>		
Held in Trust for Other Purposes	<u>\$ 5,528,327.41</u>	

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

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***Statement of Changes in Fiduciary Net Position***  
***For the Year Ended September 30, 2017***

	<b>Private-Purpose Trust Funds</b>
<hr/>	
<b><u>Additions</u></b>	
Interest	\$ 1,421.20
Fiduciary Fund Receipts	3,604,070.34
Total Additions	<u>3,605,491.54</u>
<b><u>Deductions</u></b>	
Fiduciary Fund Disbursement	2,945,628.85
Total Deductions	<u>2,945,628.85</u>
Changes in Net Position	659,862.69
Net Position - Beginning of Year	<u>4,868,464.72</u>
Net Position - End of Year	<u><u>\$ 5,528,327.41</u></u>

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

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2017***

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#### **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Fund Financial Statements**

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. 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.
- ◆ **E-911 Communications Fund** – This fund is used to account for the expenditures related to the county's E-911 Communications 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 funds 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **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.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2017***

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

#### **5. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the 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.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2017***

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#### **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, 2017, 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 balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

#### **9. Pensions**

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



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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- ◆ **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **B. Deficit Fund Balances/Net Position of Individual Fund**

At September 30, 2017, the following governmental fund had a deficit fund balance:

Road and Bridge Fund	\$1,575,551.41
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#### **Note 3 – Deposits and Investments**

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

#### **Note 4 – Receivables**

On September 30, 2017, receivables for the Commission's individual major funds and other governmental funds in the aggregate, are as follows:

	General Fund	Road and Bridge Fund	Other Governmental Funds	Total
<b><u>Receivables:</u></b>				
Sales Tax	\$1,634,100.73	\$	\$	\$1,634,100.73
Tobacco Tax	73,012.49			73,012.49
Intergovernmental	1,012,231.03	2,740,198.17	468,479.97	4,220,909.17
<b>Total Receivables</b>	<b>\$2,719,344.25</b>	<b>\$2,740,198.17</b>	<b>\$468,479.97</b>	<b>\$5,928,022.39</b>

# Notes to the Financial Statements

## For the Year Ended September 30, 2017

### Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/01/2016	Additions	Retirements	Balance 09/30/2017
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,048,390.00	\$ 5,395.00	\$	\$ 3,053,785.00
Construction in Progress	1,798,628.00	10,113,585.00		11,912,213.00
Total Capital Assets, Not Being Depreciated	4,847,018.00	10,118,980.00		14,965,998.00
Capital Assets Being Depreciated:				
Infrastructure	174,213,708.05			174,213,708.05
Buildings	44,693,185.13	1,065,585.00		45,758,770.13
Improvements	5,651,321.14			5,651,321.14
Equipment and Furniture	18,716,092.82	3,349,039.00	(3,662,436.00)	18,402,695.82
Data Processing Equipment	2,766,603.00	159,059.00		2,925,662.00
Vehicles	11,787,803.94	498,579.00	(333,532.95)	11,952,849.99
Total Capital Assets Being Depreciated	257,828,714.08	5,072,262.00	(3,995,968.95)	258,905,007.13
Less Accumulated Depreciation for:				
Infrastructure	(142,011,999.96)	(1,379,758.85)		(143,391,758.81)
Buildings	(25,430,735.77)	(1,402,892.38)		(26,833,628.15)
Improvements	(2,989,086.90)	(337,985.50)		(3,327,072.40)
Equipment and Furniture	(13,001,886.18)	(1,034,492.47)	1,635,410.00	(12,400,968.65)
Data Processing Equipment	(2,551,951.53)	(103,288.90)		(2,655,240.43)
Vehicles	(6,815,941.00)	(1,357,270.90)	233,559.30	(7,939,652.60)
Total Accumulated Depreciation	(192,801,601.34)	(5,615,689.00)	1,868,969.30	(196,548,321.04)
Total Capital Assets Being Depreciated, Net	65,027,112.74	(543,427.00)	(2,126,999.65)	62,356,686.09
Governmental Activities Capital Assets, Net	\$ 69,874,130.74	\$ 9,575,553.00	\$(2,126,999.65)	\$ 77,322,684.09

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$2,269,783.15
Public Safety	489,437.68
Highways and Roads	2,856,468.17
Total Depreciation Expense – Governmental Activities	<u>\$5,615,689.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### *Note 6 – Defined Benefit Pension Plan*

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

###### *Plan Description*

The Employees' Retirement System of Alabama (ERS), an 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). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **Benefits Provided**

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	23,007
Terminated employees entitled	
to but not yet receiving benefits	1,155
Terminated employees not	
entitled to a benefit	6,654
Active Members	55,058
Total	<u>85,874</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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, the Tuscaloosa County Commission's active employee contribution rate was 5.42 percent of covered employee payroll, and the Tuscaloosa County Commission's average contribution rate to fund the normal and accrued liability costs was 17.62 percent of covered employee payroll.

The Tuscaloosa County Commission's contractually required contribution rate for the year ended September 30, 2017, was 12.60% of pensionable pay for Tier 1 employees, and 9.87% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 \$2,900,142.26 for the year ended September 30, 2017.

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

The Tuscaloosa County Commission's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015, rolled forward to September 30, 2016, using standard roll-forward techniques as shown in the following table:

	Expected	Actual – 2015 Valuation Assumptions	Actual – 2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	\$94,157,672	\$93,952,638	\$97,882,020
(b) Discount Rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2015 – September 30, 2016	1,927,014	1,927,014	1,916,554
(d) Transfers Among Employers:		(40,228)	(40,228)
(e) Actual Benefit Payments and refunds for the period October 1, 2015 – September 30, 2016	(5,691,633)	(5,691,633)	(5,691,633)
(f) Total Pension Liability as of September 30, 2016 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5(*) (b))]	\$97,698,001	\$97,436,337	\$101,432,019
(g) Difference between Expected and Actual:		\$ (261,664)	
(h) Less Liability Transferred for Immediate Recognition:		(40,228)	
(i) Experience (Gain)/Loss = (g) – (h)		\$ (221,436)	
(j) Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss			\$ 3,995,682



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### Actuarial Assumptions

The total pension liability as of September 30, 2016 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary Increases	3.25%-5.00%
Investment Rate of Return (*)	7.75%
(*) Net of pension plan investment expense	

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

The actuarial assumptions used in the September 30, 2015, 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

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

#### **Discount Rate**

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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**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, 2015	\$ 94,157,672	\$55,186,393	\$38,971,279
Changes for the Year:			
Service Cost	1,927,014		1,927,014
Interest	7,304,948		7,304,948
Changes of Assumptions	3,995,682		3,995,682
Differences Between Expected and Actual Experience	(221,436)		(221,436)
Contributions – Employer		2,917,950	(2,917,950)
Contributions – Employee		1,634,594	(1,634,594)
Net Investment Income		5,560,202	(5,560,202)
Benefit Payments, including Refunds of Employee Contributions	(5,691,633)	(5,691,633)	
Transfers among Employers	(40,228)	(40,228)	
Net Changes	7,274,347	4,380,885	2,893,462
Balances at September 30, 2016	\$101,432,019	\$59,567,278	\$41,864,741

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

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Commission's net pension liability	\$53,554,090	\$41,864,741	\$31,996,001

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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.

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

For the year ended September 30, 2017, the Commission recognized pension expense of \$1,351,912.00. At September 30, 2017, 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	\$1,163,399.00	\$184,530.00
Changes of assumptions	3,329,735.00	
Net difference between projected and actual earnings on pension plan investments	505,147.00	
Employer contributions subsequent to the measurement date	2,900,142.26	
Total	<u>\$7,898,423.26</u>	<u>\$184,530.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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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, 2017	\$1,040,233
2018	\$1,040,235
2019	\$1,445,217
2020	\$ 659,025
2021	\$ 629,041
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.

##### **B. Funding Policy**

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2017. 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 2017, the Commission contributed \$2,011,284.00 to cover approximately 253 participants. Plan members receiving benefits contribute 0% for single coverage costs.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **C. Annual OPEB Cost**

For fiscal year 2017, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical and life insurance was \$6,252,882.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2017	\$6,252,882	32.17%	\$33,116,289
09/30/2016	\$6,516,606	25.27%	\$28,874,691
09/30/2015	\$6,516,606	25.27%	\$24,004,785

#### **D. Funded Status and Funding Progress**

The funding status of the plan as of October 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$63,385,325
Actuarial Value of Plan Assets	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$63,385,325
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$24,687,099
UAAL as a Percentage of Covered Payroll	256.75%

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **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 is 5.5% annually. 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, 2017, the Commission is obligated under significant construction contracts as follows:

	Total Amount Paid	Total Contract Amount
911 Emergency Operations and Communications Center	\$11,912,213.00	\$11,988,225.43
District Two Community Center	\$ 1,398,605.87	\$ 5,000,000.00

#### **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, 2017, the principal amount of \$1,613,264.41 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.

## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2017***

#### **Note 10 – Payables**

On September 30, 2017, payables for the Commission's individual major funds and nonmajor funds in the aggregate are as follows:

	Vendors	Intergovernmental	Employee Benefits	Total Payables
<u>Governmental Activities:</u>				
General Fund	\$ 836,036.97	\$	\$13,489.73	\$ 849,526.70
Road and Bridge Fund	1,236,242.76			1,236,242.76
Reappraisal Fund	13,214.25	1,295,053.05		1,308,267.30
E-911 Communications Fund	855,998.22			855,998.22
Other Governmental Funds	179,939.17			179,939.17
Total – Governmental Activities	<u>\$3,121,431.37</u>	<u>\$1,295,053.05</u>	<u>\$13,489.73</u>	<u>\$4,429,974.15</u>

#### **Note 11 – Long-Term Debt**

	Debt Outstanding 10/01/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Other Liabilities:</u>					
Estimated Liability for Compensated Absences	\$ 5,526,474.44	\$	\$(33,121.32)	\$ 5,493,353.12	\$284,073.60
Net Other Postemployment Benefit Obligation	28,874,691.00	4,241,598.00		33,116,289.00	
Net Pension Liability	38,971,279.00	2,893,462.00		41,864,741.00	
Total Other Liabilities	<u>73,372,444.44</u>	<u>7,135,060.00</u>	<u>\$(33,121.32)</u>	<u>80,474,383.12</u>	<u>284,073.60</u>
Total Governmental Activities Long-Term Liabilities	<u>\$73,372,444.44</u>	<u>\$7,135,060.00</u>	<u>\$(33,121.32)</u>	<u>\$80,474,383.12</u>	<u>\$284,073.60</u>

#### **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.



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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2017***

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**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, 2017 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 \$10,524,461.50 during the 2017 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, 2017 was \$202,440.87.

**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, 2017, in the General Fund the Commission had \$2,792,082.52 reserved for general liability.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

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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	
	2017	2016
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$715,567.00	\$715,567.00
Incurred Claims and Claims Adjustment Expenses:		
Provision for Insured Events of Current Year	251,671.73	223,335.40
Total Insured Claims and Claim Adjustment Expense	251,671.73	223,335.40
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	231,445.54	204,135.97
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	20,226.19	19,199.43
Total Payments	251,671.73	223,335.40
Total Unpaid Claim and Claim Adjustment Expenses at End of the Fiscal Year	\$715,567.00	\$715,567.00

**Note 13 – Interfund Transactions**

**Interfund Receivables/Payables**

The amounts due to/from other funds at September 30, 2017, were as follows:

	Interfund Payables			
	Road and Bridge Fund	Reappraisal Fund	E-911 Communications Fund	Totals
Interfund Receivables:				
General Fund	\$5,711,507.44	\$44,648.81	\$371,659.90	\$6,127,816.15
Road and Bridge Fund		23,842.50		23,842.50
Totals	\$5,711,507.44	\$68,491.31	\$371,659.90	\$6,151,658.65

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2017***

Employees Health Insurance		General Liability		Totals	
2017	2016	2017	2016	2017	2016
\$ 222,459.93	\$ 175,816.35	\$	\$	\$ 938,026.93	\$ 891,383.35
10,524,461.50	9,339,096.19	2,000.00	1,359.10	10,778,133.23	9,563,790.69
10,524,461.50	9,339,096.19	2,000.00	1,359.10	10,778,133.23	9,563,790.69
10,322,020.63	9,117,236.26	2,000.00	1,359.10	10,555,466.17	9,322,731.33
222,459.93	175,216.35			242,686.12	194,415.78
10,544,480.56	9,292,452.61	2,000.00	1,359.10	10,798,152.29	9,517,147.11
\$ 202,440.87	\$ 222,459.93	\$	\$	\$ 918,007.87	\$ 938,026.93

**Interfund Transfers**

	Transfers Out			Totals
	General Fund	Road and Bridge Fund	Other Governmental Funds	
<b>Transfers In:</b>				
General Fund	\$	\$500,000.00	\$700,000.00	\$1,200,000.00
Road and Bridge Fund	3,609,804.00			3,609,804.00
Other Governmental Funds	1,646,850.46			1,646,850.46
Totals	\$5,256,654.46	\$500,000.00	\$700,000.00	\$6,456,654.46

The Commission typically used transfers to fund ongoing operations.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2017*

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#### **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 – Tax Abatements**

The Tuscaloosa County Industrial Development Authority enters into property tax abatement agreements with local businesses under the state Tax Incentive Reform Act of 1992. Under the Act, localities may grant county non-educational property tax abatements of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. Also, localities may grant sales and use tax abatements on all materials used in construction of property that would expand their business. The abatements may be granted to any business located within or promising to relocate to Tuscaloosa County.

For the fiscal year ended September 30, 2017, the Tuscaloosa County Commission abated property taxes totaling \$2,745,617.34 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

	2017 Tax Abatement
Mercedes-Benz U. S. International, Inc.	\$1,401,710.37
Hunt Refining Company	\$ 838,970.58

Mercedes-Benz U. S. International, Inc. was granted this abatement for major plant expansions planned for the production of the C-Class sedans.

Hunt Refining Company was granted this abatement for expansion of the refinery.

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## *Required Supplementary Information*

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***Schedule of Changes in the Net Pension Liability***  
***For the Year Ended September 30, 2017***

	2016	2015	2014
<b><u>Total pension liability</u></b>			
Service cost	\$ 1,927,014	\$ 1,948,724	\$ 1,893,833
Interest	7,304,948	6,907,887	6,652,492
Differences between expected and actual experience	(221,436)	1,760,015	
Changes of assumptions	3,995,682		
Benefit payments, including refunds of employee contributions	(5,691,633)	(5,615,091)	(5,092,669)
Transfers among employees	(40,228)		
Net change in total pension liability	7,274,347	5,001,535	3,453,656
Total pension liability - beginning	94,157,672	89,156,137	85,702,481
Total pension liability - ending (a)	\$ 101,432,019	\$ 94,157,672	\$ 89,156,137
<b><u>Plan fiduciary net position</u></b>			
Contributions - employer	\$ 2,917,950	\$ 2,782,921	\$ 2,915,125
Contributions - employee	1,634,594	1,281,849	1,284,132
Net investment income	5,560,202	658,481	6,083,165
Benefit payments, including refunds of employee contributions	(5,691,633)	(5,615,091)	(5,092,669)
Other (Transfers among employers)	(40,228)	(400,893)	229,022
Net change in plan fiduciary net position	4,380,885	(1,292,733)	5,418,775
Plan fiduciary net position - beginning	55,186,393	56,479,126	51,060,351
Plan fiduciary net position - ending (b)	\$ 59,567,278	\$ 55,186,393	\$ 56,479,127
County's net pension liability - ending (a) - (b)	\$ 41,864,741	\$ 38,971,279	\$ 32,677,010
Plan fiduciary net position as a percentage of the total pension liability	58.73%	58.61%	63.35%
Covered payroll (*)	\$ 25,176,927	\$ 23,647,301	\$ 23,647,301
County's net pension liability as a percentage of covered payroll	166.28%	164.80%	138.18%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. For the fiscal year 2017, the measurement period is October 1, 2015 through September 30, 2016.

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

## ***Schedule of the Employer's Contributions***

### ***For the Year Ended September 30, 2017***

	<b>2017</b>	<b>2016</b>
Actuarially determined contribution	\$ 2,900,142	\$ 2,986,042
Contributions in relation to the actuarially determined contribution	2,900,142	2,986,042
Contribution deficiency (excess)	\$	\$
Covered payroll (*)	\$ 24,325,937	\$ 25,176,927
Contributions as a percentage of covered-employee payroll	11.92%	11.86%

#### **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 2016 were based on the September 30, 2014 actuarial valuation.

##### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

(\*) Employer's covered payroll for fiscal year 2017 is the total covered payroll for the 12 month period of the underlying financial statement (October 1, 2016 through September 30, 2017).

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



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2015		2014	
\$	2,842,263	\$	2,864,324
	2,842,263		2,864,324
\$		\$	
\$	23,177,010	\$	23,647,301
	12.26%		12.11%

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2017***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b><u>Revenues</u></b>			
Taxes	\$ 40,680,200.00	\$ 40,680,200.00	\$ 41,448,725.08
Licenses and Permits	900,000.00	900,000.00	762,775.90
Intergovernmental	4,142,600.00	4,142,600.00	4,804,934.92
Charges for Services	5,207,800.00	5,207,800.00	5,278,112.39
Miscellaneous	649,757.00	649,757.00	335,708.84
Total Revenues	51,580,357.00	51,580,357.00	52,630,257.13
<b><u>Expenditures</u></b>			
Current:			
General Government	15,090,757.00	15,090,757.00	14,771,603.34
Public Safety	24,723,782.00	24,723,782.00	25,518,734.10
Sanitation	604,916.00	604,916.00	494,109.20
Health	655,989.00	655,989.00	725,537.22
Welfare	200,405.00	200,405.00	200,799.59
Culture and Recreation	4,410,490.00	4,410,490.00	4,298,450.58
Education	411,289.00	411,289.00	241,401.54
Capital Outlay	1,197,925.00	1,197,925.00	1,811,331.02
Total Expenditures	47,295,553.00	47,295,553.00	48,061,966.59
Excess (Deficiency) of Revenues Over Expenditures	4,284,804.00	4,284,804.00	4,568,290.54
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In			1,200,000.00
Transfers Out	(4,284,804.00)	(4,284,804.00)	(5,256,654.46)
Proceeds from Sale of Capital Assets			307.50
Total Other Financing Sources (Uses)	(4,284,804.00)	(4,284,804.00)	(4,056,346.96)
Net Change in Fund Balances			511,943.58
Fund Balances - Beginning of Year			35,373,937.38
Fund Balances - End of Year	\$	\$	\$ 35,885,880.96

---

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 64,279.37	\$ 41,513,004.45
		762,775.90
		4,804,934.92
		5,278,112.39
(2)	10,531,114.40	10,866,823.24
	<u>10,595,393.77</u>	<u>63,225,650.90</u>
(3)	(10,587,497.81)	25,359,101.15
(3)	(52,948.11)	25,571,682.21
(3)	(460.99)	494,570.19
(3)	(10.37)	725,547.59
		200,799.59
		4,298,450.58
		241,401.54
		1,811,331.02
	<u>(10,640,917.28)</u>	<u>58,702,883.87</u>
	(45,523.51)	4,522,767.03
		1,200,000.00
		(5,256,654.46)
		307.50
		<u>(4,056,346.96)</u>
	(45,523.51)	466,420.07
(4)	<u>2,945,579.30</u>	<u>38,319,516.68</u>
	<u>\$ 2,900,055.79</u>	<u>\$ 38,785,936.75</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2017***

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**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.

Insurance Fund	\$ 10,531,113.55
Tax Assessor Special Revenue Fund	0.30
Tax Collector Special Revenue Fund	0.55

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- (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.

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\$ 64,279.37

10,531,114.40

(10,640,917.28)

\$ (45,523.51)

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Road and Bridge Fund  
For the Year Ended September 30, 2017***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b><u>Revenues</u></b>			
Taxes	\$ 9,510,000.00	\$ 9,510,000.00	\$ 9,547,735.67
Licenses and Permits	296,000.00	296,000.00	319,673.91
Intergovernmental	3,923,000.00	3,923,000.00	13,331,479.48
Charges for Service	45,000.00	45,000.00	691.88
Miscellaneous	111,500.00	111,500.00	113,620.57
Total Revenues	13,885,500.00	13,885,500.00	23,313,201.51
<b><u>Expenditures</u></b>			
Current:			
Highways and Roads	18,532,304.00	18,532,304.00	27,013,034.78
Capital Outlay	1,963,000.00	1,963,000.00	3,200,469.00
Total Expenditures	20,495,304.00	20,495,304.00	30,213,503.78
Excess (Deficiency) of Revenues Over Expenditures	(6,609,804.00)	(6,609,804.00)	(6,900,302.27)
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	6,609,804.00	6,609,804.00	4,009,804.00
Proceeds from Sale of Capital Assets			2,185,000.00
Transfers Out			
Total Other Financing Sources (Uses)	6,609,804.00	6,609,804.00	6,194,804.00
Net Change in Fund Balances			(705,498.27)
Fund Balances - Beginning of Year			(1,274,090.10)
Fund Balances - End of Year	\$	\$	\$ (1,979,588.37)

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 30,413.17	\$ 9,578,148.84
		319,673.91
(2)	733,221.47	14,064,700.95
		691.88
(2)	1,195.96	114,816.53
	<u>764,830.60</u>	<u>24,078,032.11</u>
(3)	(27,297.95)	27,040,332.73
		3,200,469.00
	<u>(27,297.95)</u>	<u>30,240,801.73</u>
	<u>737,532.65</u>	<u>(6,162,769.62)</u>
(4)	(400,000.00)	3,609,804.00
		2,185,000.00
	<u>(500,000.00)</u>	<u>(500,000.00)</u>
	<u>(900,000.00)</u>	<u>5,294,804.00</u>
	(162,467.35)	(867,965.62)
(5)	<u>566,504.31</u>	<u>(707,585.79)</u>
	<u>\$ 404,036.96</u>	<u>\$ (1,575,551.41)</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Road and Bridge Fund  
For the Year Ended September 30, 2017***

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**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	<u>\$ 734,417.43</u>
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(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 Other Financing Sources (Uses) are combined with the General Fund for reporting purposes, but are budgeted separately.

Capital Improvement Fund	<u>\$ (900,000.00)</u>
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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.



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\$ 30,413.17

734,417.43

(27,297.95)

(900,000.00)

\$ (162,467.35)

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Reappraisal Fund  
For the Year Ended September 30, 2017***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b><u>Revenues</u></b>			
Taxes	\$ 3,970,544.00	\$ 3,970,544.00	\$ 2,644,048.40
Miscellaneous			16,806.81
Total Revenues	3,970,544.00	3,970,544.00	2,660,855.21
<b><u>Expenditures</u></b>			
Current:			
General Government	3,704,544.00	3,704,544.00	2,594,764.24
Capital Outlay	266,000.00	266,000.00	65,856.98
Total Expenditures	3,970,544.00	3,970,544.00	2,660,621.22
Excess (Deficiency) of Revenues Over Expenditures			233.99
Net Change in Fund Balances			233.99
Fund Balances - Beginning of Year			38,879.67
Fund Balances - End of Year	\$	\$	\$ 39,113.66

**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.

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Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 2,644,048.40
	16,806.81
	<u>2,660,855.21</u>

(1)	(233.99)	2,594,998.23
		65,856.98
	<u>(233.99)</u>	<u>2,660,855.21</u>

<u>(233.99)</u>
-----------------

(233.99)

(2)	<u>(38,879.67)</u>
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\$	<u>(39,113.66)</u>	\$
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\$	<u>(233.99)</u>
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\$	<u>(233.99)</u>
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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - E-911 Communications Fund  
For the Year Ended September 30, 2017***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>
<b><u>Revenues</u></b>			
Miscellaneous	\$ 3,504,000.00	\$ 3,504,000.00	\$ 3,992,573.35
Total Revenues	3,504,000.00	3,504,000.00	3,992,573.35
<b><u>Expenditures</u></b>			
Current:			
Public Safety	1,406,500.00	1,406,500.00	1,546,499.31
Capital Outlay	2,097,500.00	2,097,500.00	10,113,585.00
Total Expenditures	3,504,000.00	3,504,000.00	11,660,084.31
Excess (Deficiency) of Revenues Over Expenditures			(7,667,510.96)
Net Change in Fund Balances			(7,667,510.96)
Fund Balances - Beginning of Year			9,469,539.48
Fund Balances - End of Year	\$	\$	\$ 1,802,028.52



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***Schedule of Funding Progress  
Other Postemployment Benefits  
For the Year Ended September 30, 2017***

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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]
10/01/2016	\$	\$63,385,325	\$63,385,325	0%	\$24,687,099	256.75%
10/01/2014	\$	\$42,716,776	\$42,716,776	0%	\$22,300,196	191.55%
10/01/2012	\$	\$39,494,061	\$39,494,061	0%	\$22,666,669	174.24%

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2016 through September 30, 2017***

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<b>Commission Members</b>		<b>Term Expires</b>
Hon. W. Hardy McCollum	Chairman	2018
Hon. Stan Acker	Member	2020
Hon. Reginald Murray	Member	2020
Hon. Mark Nelson	Member	2020
Hon. Jerry Tingle	Member	2020
<b><u>Administrative Personnel</u></b>		
Mr. William Lamb	Chief Financial Officer	
Mr. Melvin Vines	County Administrator	



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

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**Independent Auditor's Report**

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

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, 2017, 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 August 28, 2018.

**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.

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

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## **Compliance and Other Matters**

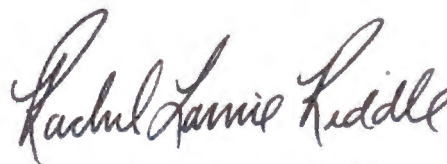
As part of obtaining reasonable assurance about whether the Tuscaloosa County Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a 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***. We noted a certain matter that we have reported to management of the Commission in the Schedule of State and Local Compliance and Other Findings.

## **Tuscaloosa County Commission's Response to Findings**

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

## **Purpose of this Report**

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



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

August 28, 2018

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## *Auditee Response*

W. HARDY McCOLLUM  
CHAIRMAN

MELVIN L. VINES  
COUNTY ADMINISTRATOR

WILLIAM M. LAMB  
CHIEF FINANCIAL OFFICER



MEMBERS  
STAN ACKER  
JERRY TINGLE  
MARK NELSON  
REGINALD MURRAY

## COUNTY COMMISSION

TUSCALOOSA COUNTY ALABAMA  
P.O. Box 20113 • 714 GREENSBORO AVENUE  
TUSCALOOSA, ALABAMA 35402-0113  
205-349-3870

### *Corrective Action Plan* *For the Year Ended September 30, 2017*

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .315(c), the Tuscaloosa County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the period October 1, 2016 through September 30, 2017.

#### Finding

Ref.

No.

#### Corrective Action Plan Details

#2017-001     **Finding:**     Deficit fund balances result when the Commission expends more funds than it has in available resources. The *Code of Alabama 1975*, Section 11-8-10, provides that a County Commission should issue no warrant unless funds are available for payment. The following fund had deficit fund balance at September 30, 2017.

Road and Bridge Fund

\$1,575,551.41

#### **Response:**

The County Commission will maintain expenditures within available revenues and other financial sources.

A handwritten signature in dark ink, appearing to read "M. L. Vines", is written over a horizontal line.  
Melvin Vines, County Administrator

A handwritten date "9-4-18" in dark ink is written over a horizontal line.  
Date