

Report on the

Tuscaloosa County Commission

Tuscaloosa County, Alabama

October 1, 2017 through September 30, 2018

Filed: March 20, 2020



**Department of
Examiners of Public Accounts**
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner



State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251

401 Adams Avenue, Suite 280

Montgomery, Alabama 36104-4338

Telephone (334) 242-9200

FAX (334) 242-1775

Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

An audit was conducted on the Tuscaloosa County Commission, Tuscaloosa County, Alabama, for the period October 1, 2017 through September 30, 2018, by Examiners Amanda B. Hynds and Tranquil Shepherd. I, Amanda B. Hynds, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I submit this report to you on the results of the audit.

Sworn to and subscribed before me this
the 11 day of February, 2020.

Christina A. Bradford
Notary Public

rb

Respectfully submitted,

Amanda B. Hynds

Amanda B. Hynds
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Tuscaloosa County Commission
October 1, 2017 through September 30, 2018**

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.

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, 2018.

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

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; and County Commissioners: Reginald Murray, Stan Acker, and Jerry Tingle. Also in attendance were representatives of the Department of Examiners of Public Accounts: Amanda B. Hynds, Examiner and Shelley Patrenos, Audit Manager.

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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, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, in the fiscal year ended September 30, 2018, the Tuscaloosa County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 75, ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, as amended by GASB Statement Number 85, ***Omnibus 2017***. Our opinion is not modified with respect to this matter.

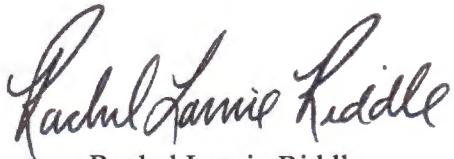
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Pension Liability, the Schedule of the Employer's Contributions – Pension, the Schedule of Changes in the Employer's Net Other Postemployment Benefits (OPEB) Liability, the Schedule of Employer's Contributions – Other Postemployment Benefits (OPEB) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (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 January 30, 2020, on our consideration of the Tuscaloosa County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tuscaloosa County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Tuscaloosa County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 30, 2020

*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, 2018. 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

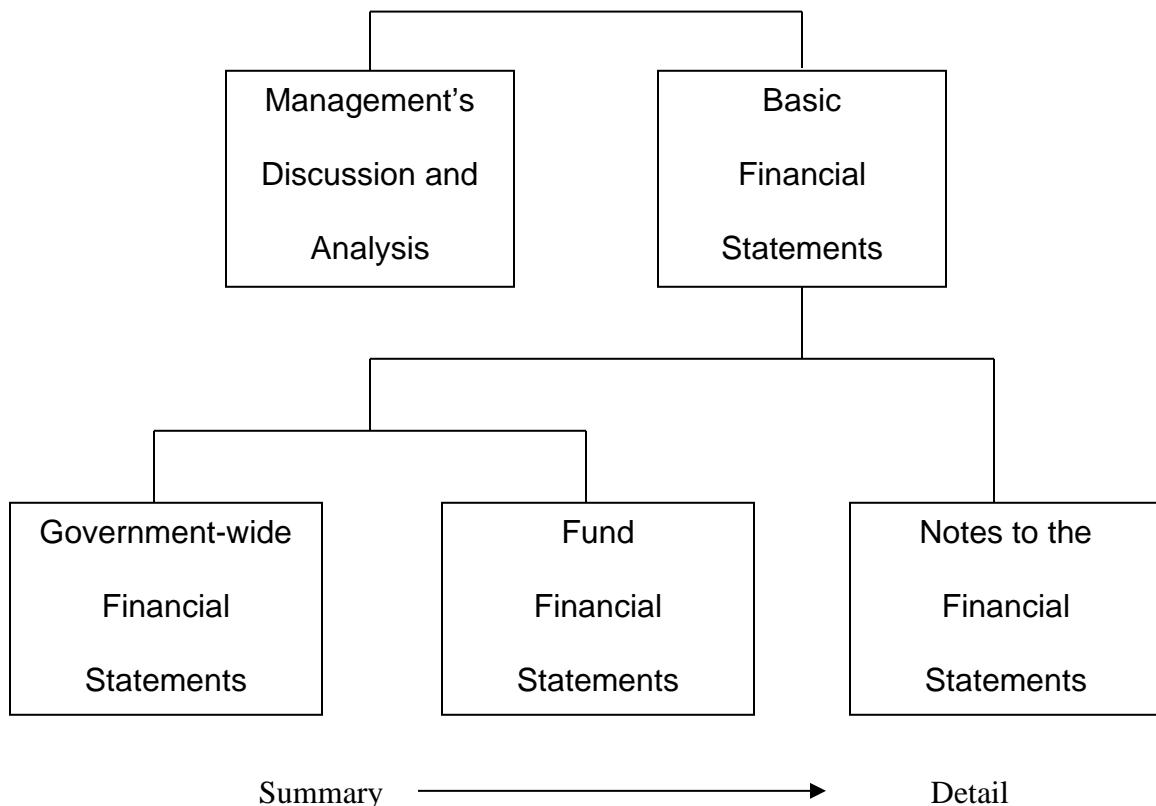
- The assets and deferred outflows of resources of the Tuscaloosa County Commission were exceeded by its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,810,633 (*net position*) as a result of the reporting requirements of Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).
- As of the close of the current fiscal year, the Tuscaloosa County Commission's governmental funds reported combined ending fund balances of \$36,668,169.33. Of this amount \$18,412,012.82 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 \$16,440,032.49.
- 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 18th consecutive year.

Overview of the Financial Statements

The 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 gage the County's financial condition.

The government-wide financial statements are in 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 the Tuscaloosa County Commission were exceeded by liabilities and deferred inflows of resources by \$8,810,633 as of September 30, 2018. This is the result of the GASB 75 requirement to recognize the OPEB liability on the Statement of Net Position.

For the year ending September 30, 2018, Tuscaloosa County's net position is presented in Figure 2 as follows:

Tuscaloosa County's Net Position
Figure 2

	Governmental Activities	Governmental Activities
	2018	2017
Current and other assets		
Capital Assets, net	\$ 74,051,932	\$ 78,026,944
Total Assets	79,688,523	77,322,684
Deferred Outflows of Resources		
Employer Pension Contribution	2,963,733	2,900,142
Proportionate Share of Collective Outflows-Defined Pension Plans	6,056,715	4,998,281
Total Deferred Outflows	9,020,448	7,898,423
Long-term liabilities outstanding	123,843,825	80,474,383
Other liabilities	7,264,745	6,167,365
Total liabilities	131,108,570	86,641,748
Deferred Inflows of Resources		
Unavailable Revenue - Property Tax	28,238,610	26,750,376
Revenue Received in Advance-Motor Vehicles Taxes	1,115,334	1,205,402
Proportionate Share of Collective Deferred Inflows-Defined pension plans	2,125,619	184,530
Proportionate Share of Collective Deferred Inflows-OPEB Liability	8,983,403	-
Total Deferred Inflows of Resources	40,462,966	28,140,308
Net position:		
Net investment in capital assets	79,688,523	77,322,684
Restricted	5,209,973	7,752,133
Unrestricted	(93,708,128)	(36,608,822)
Total net position	\$ (8,810,633)	\$ 48,465,995

Tuscaloosa County's change in net position is presented in figure 3 as follows:

Tuscaloosa County Changes in Net Position
Figure 3

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 8,163,271	\$ 7,831,982
Operating grants and contributions	12,221,823	20,762,663
General revenues:		
Property taxes	31,118,167	28,412,342
Other taxes	25,518,354	24,322,860
Grants and contributions not restricted to specific programs	2,418,956	2,271,640
Other	14,965,599	15,041,727
Total revenues	<u>\$ 94,406,170</u>	<u>\$ 99,643,214</u>
Expenses:		
General government	\$ 38,211,718	\$ 34,316,094
Public safety	33,830,916	31,513,766
Highways and roads	25,081,202	33,933,377
Sanitation	540,938	500,396
Health	712,194	725,548
Welfare	216,450	200,800
Culture and recreation	4,349,529	4,298,451
Education	322,000	241,401
Miscellaneous	-	-
Interest on long-term debt	-	-
Total expenses	<u>\$ 103,264,947</u>	<u>\$ 105,729,833</u>
Decrease in net position	<u>(8,858,777)</u>	<u>(6,086,619)</u>
Net position, October 1 (as Restated)	<u>\$ 48,144</u>	<u>\$ 54,522,615</u>
Net position, September 30	<u>\$ (8,810,633)</u>	<u>\$ 48,465,996</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 \$29,486,216.23, a decrease of \$9,299,720.52. The primary factor contributing to this decrease were one-time expenditures for capital assets.

The beginning net position was restated for October 1, 2017 due to the implementation of GASB 75 – see note 16.

Other major funds of the County are the Road and Bridge Fund, and the Reappraisal 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 increased \$5,041,986.48 during the year. The Reappraisal Fund accounts for expenditures related to the Commission's property reappraisal program. The Reappraisal Fund expenditures equals its revenues.

At September 30, 2018, the governmental funds of Tuscaloosa County reported a combined fund balance of \$36,668,169.33.

Capital Asset and Debt Administration

Capital Assets. Tuscaloosa County's capital assets for its governmental activities as of September 30, 2018, totals \$79,688,522.51 (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	
	2018	2017
Land	\$ 3,053,785	\$ 3,053,785
Buildings and improvements	47,409,426	45,758,770
Improvements other than buildings	5,651,321	5,651,321
Equipment and furniture	19,801,362	18,402,696
Infrastructure	174,213,708	174,213,708
Data processing equipment	3,086,978	2,925,662
Vehicles and motorized equipment	12,751,779	11,952,850
Construction in progress	14,921,347	11,912,213
Less: accumulated depreciation	(201,201,185)	(196,548,321)
Total	<u>\$ 79,688,523</u>	<u>\$ 77,322,684</u>

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

Long-term Debt. As of September 30, 2018, 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 181.
- New private capital announced totaled \$670.29 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.

Basic Financial Statements

Statement of Net Position
September 30, 2018

	Governmental Activities
Assets	
Cash	\$ 38,206,280.10
Investments	3,763,416.73
Receivables (Note 4)	3,759,870.49
Ad Valorem Taxes Receivable	28,238,610.26
Inventories	83,755.23
Capital Assets (Note 5):	
Nondepreciable	17,975,132.00
Depreciable, Net	61,713,390.51
Total Assets	<u>153,740,455.32</u>
Deferred Outflows of Resources	
Employer Pension Contribution	2,963,733.09
Proportionate Share of Collective Deferred Outflows	
Related to Defined Benefit Pension Plans	<u>6,056,715.00</u>
Total Deferred Outflows of Resources	<u>9,020,448.09</u>
Liabilities	
Payables (Note 10)	3,968,020.55
Short Term Notes Payable	2,000,000.00
Accrued Wages Payable	947,716.83
Insurance Premiums Payable	36,130.00
Retirement Withholding	43,802.44
Health Claims Payable	269,075.57
Worker's Compensation Claims Payable	765,074.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	226,528.45
Portion Due or Payable After One Year:	
Compensated Absences	5,263,335.64
Net Other Postemployment Benefit Obligation	74,670,652.00
Net Pension Liability	42,918,235.00
Total Liabilities	<u>\$ 131,108,570.48</u>

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

	Governmental Activities
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Tax	\$ 28,238,610.26
Revenue Received in Advance - Motor Vehicle Taxes	1,115,333.83
Proportionate Share of Collective Deferred Inflows	
Related to Defined Benefit Pension Plans	2,125,619.00
Proportionate Share of Collective Deferred Inflows Related to OPEB Liability	8,983,403.00
Total Deferred Inflows of Resources	40,462,966.09
<u>Net Position</u>	
Net Investment in Capital Assets	79,688,522.51
Restricted for Other Purposes	5,209,972.77
Unrestricted	(93,709,128.44)
Total Net Position	\$ (8,810,633.16)

Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental Activities:				
General Government	\$ 38,211,718.15	\$ 6,664,189.32	\$ 1,319,360.74	
Public Safety	33,830,915.46	1,499,081.68	2,336,251.77	
Highways and Roads	25,081,201.92		7,595,019.82	
Sanitation	540,937.74		8,234.68	
Health	712,194.11		887,353.29	
Welfare	216,450.13		3,372.30	
Culture and Recreation	4,349,529.13		67,289.13	
Education	322,000.20		4,940.81	
Total Governmental Activities	<u>\$ 103,264,946.84</u>	<u>\$ 8,163,271.00</u>	<u>\$ 12,221,822.54</u>	

General Revenues:

Taxes:

Property Taxes for General Purposes
 Property Taxes for Specific Purposes
 General Sales Tax
 County Gasoline Sales Tax
 Miscellaneous Taxes

Grants and Contributions Not Restricted
 for Specific Purposes

Interest Earned

Gain on Sale of Capital Assets

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year, as Restated (Note 16)

Net Position - End of Year

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position	Total Governmental Activities
\$	\$	(30,228,168.09)
		(29,995,582.01)
		(17,486,182.10)
		(532,703.06)
		175,159.18
		(213,077.83)
		(4,282,240.00)
		(317,059.39)
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\$		(82,879,853.30)
		27,840,956.79
		3,277,210.50
		12,703,405.00
		10,277,243.94
		2,537,704.93
		2,418,956.30
		359,228.88
		212,078.74
		14,394,291.48
	<hr/>	<hr/>
		74,021,076.56
		(8,858,776.74)
	<hr/>	<hr/>
		48,143.58
	<hr/>	<hr/>
\$		<u>(8,810,633.16)</u>

Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Road and Bridge Fund
Assets		
Cash	\$ 26,731,375.47	\$ 5,402,213.82
Investments	3,763,416.73	
Receivables (Note 4)	2,898,308.08	861,562.41
Ad Valorem Taxes Receivable	16,453,516.98	8,058,735.28
Interfund Receivables	549,714.81	33,859.71
Inventories		83,755.23
Total Assets	<u>50,396,332.07</u>	<u>14,440,126.45</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Payables (Note 10)	1,996,345.45	959,442.17
Short-Term Notes Payable		
Interfund Payables		96,885.00
Accrued Wages Payable	677,452.30	220,176.24
Insurance Premiums Payable		
Retirement Withholding		
Health Claims Payable	269,075.57	
Worker's Compensation Claims Payable	765,074.00	
Total Liabilities	<u>3,707,947.32</u>	<u>1,276,503.41</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	16,453,516.98	8,058,735.28
Revenue Received in Advance - Motor Vehicle Taxes	748,651.54	366,682.29
Total Deferred Inflows of Resources	<u>\$ 17,202,168.52</u>	<u>\$ 8,425,417.57</u>

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,015,669.32	\$ 5,057,021.49	\$ 38,206,280.10
		3,763,416.73
		3,759,870.49
3,726,358.00		28,238,610.26
		583,574.52
		83,755.23
4,742,027.32	5,057,021.49	74,635,507.33
866,027.80	146,205.13	3,968,020.55
	2,000,000.00	2,000,000.00
99,553.23	387,136.29	583,574.52
50,088.29		947,716.83
	36,130.00	36,130.00
	43,802.44	43,802.44
		269,075.57
		765,074.00
1,015,669.32	2,613,273.86	8,613,393.91
3,726,358.00		28,238,610.26
		1,115,333.83
\$ 3,726,358.00	\$	\$ 29,353,944.09

Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Road and Bridge Fund
Fund Balances		
Nonspendable:		
Inventory	\$	83,755.23
Noncurrent Receivables	339,049.25	
Restricted for:		
Public Safety		
Highways and Roads		2,682,469.91
Other Purposes		
Committed to:		
Retirement	2,000,000.00	
Assigned to:		
Community Projects	696,583.89	
Worker's Compensation Insurance	1,779,250.25	
Employee's Health Insurance	497,639.57	
General Liability Insurance	2,871,002.10	
Other Purposes	4,862,658.68	
Unassigned	16,440,032.49	1,971,980.33
Total Fund Balances	<u>29,486,216.23</u>	<u>4,738,205.47</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 50,396,332.07</u>	<u>\$ 14,440,126.45</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
		83,755.23
		339,049.25
	1,600,111.32	1,600,111.32
	2,682,469.91	
	843,636.31	843,636.31
		2,000,000.00
	696,583.89	
	1,779,250.25	
	497,639.57	
	2,871,002.10	
	4,862,658.68	
	18,412,012.82	
	2,443,747.63	36,668,169.33
\$ 4,742,027.32	\$ 5,057,021.49	\$ 74,635,507.33

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2018

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 36,668,169.33

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 79,688,522.51

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 6,894,829.09

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds. (8,983,403.00)

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

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year
Compensated Absences	\$ 226,528.45	\$ 5,263,335.64
Net Other Postemployment Benefit Obligation		74,670,652.00
Net Pension Liability		42,918,235.00
Total Liabilities	\$ 226,528.45	\$ 122,852,222.64
		(123,078,751.09)
Total Net Position - Governmental Activities (Exhibit 1)		\$ (8,810,633.16)

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, 2018***

	General Fund	Road and Bridge Fund
<u>Revenues</u>		
Taxes	\$ 43,826,868.37	\$ 9,936,927.65
Licenses and Permits	853,240.68	327,739.51
Intergovernmental	5,659,665.28	7,652,138.20
Charges for Services	5,509,519.24	2,724.53
Miscellaneous	11,353,864.10	19,686.60
Total Revenues	<u>67,203,157.67</u>	<u>17,939,216.49</u>
<u>Expenditures</u>		
Current:		
General Government	26,160,819.02	
Public Safety	26,382,887.86	
Highways and Roads		21,740,217.71
Sanitation	533,560.39	
Health	712,194.11	
Welfare	216,450.13	
Culture and Recreation	4,349,529.13	
Education	322,000.20	
Capital Outlay	2,087,461.00	1,347,894.00
Total Expenditures	<u>60,764,901.84</u>	<u>23,088,111.71</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,438,255.83</u>	<u>(5,148,895.22)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In		9,978,802.96
Sale of Capital Assets		212,078.74
Transfers Out	(15,737,976.35)	
Total Other Financing Sources (Uses)	<u>(15,737,976.35)</u>	<u>10,190,881.70</u>
Net Change in Fund Balances	<u>(9,299,720.52)</u>	<u>5,041,986.48</u>
Fund Balances - Beginning of Year, as Restated (Note 16)	<u>38,785,936.75</u>	<u>(303,781.01)</u>
Fund Balances - End of Year	<u>\$ 29,486,216.23</u>	<u>\$ 4,738,205.47</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,872,725.14	\$ 423,319.16	\$ 56,636,521.16
	1,403,875.36	1,604,299.35
	964,691.88	14,715,678.84
20,476.77	3,177,322.89	6,476,935.65
<u>2,893,201.91</u>	<u>5,969,209.29</u>	<u>14,571,350.36</u>
2,546,311.91	6,018,299.97	34,725,430.90
	5,222,526.69	31,605,414.55
		21,740,217.71
		533,560.39
		712,194.11
		216,450.13
		4,349,529.13
		322,000.20
346,890.00	3,465,454.00	7,247,699.00
<u>2,893,201.91</u>	<u>14,706,280.66</u>	<u>101,452,496.12</u>
(8,737,071.37)	(7,447,710.76)	
5,759,173.39	15,737,976.35	
	212,078.74	
	(15,737,976.35)	
<u>5,759,173.39</u>	<u>212,078.74</u>	
(2,977,897.98)	(7,235,632.02)	
5,421,645.61	43,903,801.35	
<u>\$ 2,443,747.63</u>	<u>\$ 36,668,169.33</u>	

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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, 2018***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (7,235,632.02)

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$7,247,699.00) differ from depreciation expense (\$5,071,166.58) in the current period.

2,176,532.42

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	\$ (212,078.74)
Gain on the Sale of Capital Assets	<u>212,078.74</u>

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	\$ 3,489.03
Increase in Other Postemployment Benefit Obligation	(2,119,914.00)
Increase in Pension Expense	<u>(1,872,558.17)</u>
Total	(3,988,983.14)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Donated Assets	<u>189,306.00</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ (8,858,776.74)</u>

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

Statement of Fiduciary Net Position
September 30, 2018

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash	\$ 8,055,129.78	\$ 1,594,587.69
Total Assets	<u>8,055,129.78</u>	<u>1,594,587.69</u>
<u>Liabilities</u>		
Payable to External Parties	1,551,623.67	1,594,587.69
Total Liabilities	<u>1,551,623.67</u>	<u>\$ 1,594,587.69</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u><u>\$ 6,503,506.11</u></u>	

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

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2018

	Private-Purpose Trust Funds
Additions	
Interest	\$ 4,192.10
Fiduciary Fund Receipts	<u>3,032,738.05</u>
Total Additions	<u>3,036,930.15</u>
Deductions	
Fiduciary Fund Disbursements	2,061,751.45
Total Deductions	<u>2,061,751.45</u>
Changes in Net Position	975,178.70
Net Position - Beginning of Year	<u>5,528,327.41</u>
Net Position - End of Year	<u>\$ 6,503,506.11</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

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

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

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2018

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

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

3. Inventories

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

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
Governmental Activities:		
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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

6. Long-Term Obligations

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

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, 2018, is reported in the governmental activities.

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and governmental 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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

10. Postemployment Benefits Other Than Pensions (OPEB)

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

11. 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** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

- ◆ **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.
- ◆ **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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

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

Note 3 – Deposits and Investments

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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 4 – Receivables

On September 30, 2018, receivables for the Commission's individual major funds are as follows:

	General Fund	Road and Bridge Fund	Total
Receivables:			
Sales Tax	\$ 1,706,128.97	\$	\$ 1,706,128.97
Tobacco Tax	48,080.34	48,080.34	
Intergovernmental	1,144,098.77	861,562.41	2,005,661.18
Total Receivables	<u>\$ 2,898,308.08</u>	<u>\$ 861,562.41</u>	<u>\$ 3,759,870.49</u>

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 10/01/2017	Additions	Retirements	Balance 09/30/2018
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,053,785.00	\$	\$	\$ 3,053,785.00
Construction in Progress	11,912,213.00	3,009,134.00		14,921,347.00
Total Capital Assets, Not Being Depreciated	<u>14,965,998.00</u>	<u>3,009,134.00</u>		<u>17,975,132.00</u>
Capital Assets Being Depreciated:				
Infrastructure	174,213,708.05			174,213,708.05
Buildings	45,758,770.13	1,650,656.00		47,409,426.13
Improvements	5,651,321.14			5,651,321.14
Equipment and Furniture	18,402,695.82	1,398,667.00		19,801,362.82
Data Processing Equipment	2,925,662.00	239,119.00	(77,803.00)	3,086,978.00
Vehicles	11,952,849.99	1,139,429.00	(340,500.00)	12,751,778.99
Total Capital Assets Being Depreciated	<u>258,905,007.13</u>	<u>4,427,871.00</u>	<u>(418,303.00)</u>	<u>262,914,575.13</u>
Less Accumulated Depreciation for:				
Infrastructure	(143,391,758.81)	(1,330,429.16)		(144,722,187.97)
Buildings	(26,833,628.15)	(1,350,946.78)		(28,184,574.93)
Improvements	(3,327,072.40)	(337,985.50)		(3,665,057.90)
Equipment and Furniture	(12,400,968.65)	(992,782.98)		(13,393,751.63)
Data Processing Equipment	(2,655,240.43)	(131,565.30)	77,803.00	(2,709,002.73)
Vehicles	(7,939,652.60)	(927,456.86)	340,500.00	(8,526,609.46)
Total Accumulated Depreciation	<u>(196,548,321.04)</u>	<u>(5,071,166.58)</u>	<u>418,303.00</u>	<u>(201,201,184.62)</u>
Total Capital Assets Being Depreciated, Net	<u>62,356,686.09</u>	<u>(643,295.58)</u>		<u>61,713,390.51</u>
Governmental Activities Capital Assets, Net	<u>\$ 77,322,684.09</u>	<u>\$ 2,365,838.42</u>	<u>\$</u>	<u>\$ 79,688,522.51</u>

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$2,308,626.39
Public Safety	365,363.11
Highways and Roads	2,397,177.08
Total Depreciation Expense – Governmental Activities	<u>\$5,071,166.58</u>

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan, 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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active Members	55,941
Total	<hr/> <hr/> 88,517

Contributions

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

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, 2018, the Tuscaloosa County Commission's active employee contribution rate was 5.46 percent of covered employee payroll, and the Tuscaloosa County Commission's average contribution rate to fund the normal and accrued liability costs was 12.46 percent of covered employee payroll.

The Tuscaloosa County Commission's contractually required contribution rate for the year ended September 30, 2018, was 12.95% of pensionable pay for Tier 1 employees, and 10.33% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, 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 \$2,963,733.09 for the year ended September 30, 2018.

B. Net Pension Liability

The Tuscaloosa County Commission's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016, rolled forward to September 30, 2017, using standard roll-forward techniques as shown in the following table:

		Tuscaloosa County Commission Total Pension Liability Roll-Forward	
		Expected	Actual
(a)	Total Pension Liability as of September 30, 2016	\$101,432,019	\$104,256,818
(b)	Discount Rate	7.75%	7.75%
(c)	Entry Age Normal Cost for October 1, 2016 - September 30, 2017	2,053,982	2,053,982
(d)	Transfers Among Employers		82,934
(e)	Actual Benefit Payments and Refunds for October 1, 2016 - September 30, 2017	(6,133,625)	(6,133,625)
(f)	Total Pension Liability as of September 30, 2017 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$104,975,680</u>	<u>\$108,102,335</u>
(g)	Difference Between Expected and Actual		\$ 3,126,655
(h)	Less Liability Transferred for Immediate Recognition		82,934
(i)	Experience (Gain)/Loss = (g) - (h)		<u>\$ 3,043,721</u>

Notes to the Financial Statements

For the Year Ended September 30, 2018

Actuarial Assumptions

The total pension liability as of September 30, 2017, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. 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, 2016, 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

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

(*) Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2018

C. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2016	\$101,432,019	\$59,567,278	\$41,864,741
Changes for the Year:			
Service Cost	2,053,982		2,053,982
Interest	7,623,304		7,623,304
Differences Between Expected and Actual Experience	3,043,721		3,043,721
Contributions – Employer		2,835,307	(2,834,307)
Contributions – Employee		1,326,128	(1,326,128)
Net Investment Income		7,506,078	(7,506,078)
Benefit Payments, including Refunds of Employee Contributions	(6,133,625)	(6,133,625)	
Transfers among Employers	82,934	82,934	
Net Changes	6,670,316	5,616,822	1,053,494
Balances at September 30, 2017	\$108,102,335	\$65,184,100	\$42,918,235

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	\$55,498,499	\$42,918,235	\$32,296,574

Notes to the Financial Statements

For the Year Ended September 30, 2018

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, 2017. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

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

For the year ended September 30, 2018, the Commission recognized pension expense of \$1,936,149. At September 30, 2018, 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	\$3,392,927.00	\$147,624.00
Changes of assumptions	2,663,788.00	
Net difference between projected and actual earnings on pension plan investments		1,977,995.00
Employer contributions subsequent to the measurement date	2,963,733.09	
Total	<hr/> <u>\$9,020,448.09</u>	<hr/> <u>\$2,125,619.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2018

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, 2019	\$ 963,555
2020	\$1,368,537
2021	\$ 582,345
2022	\$ 552,363
2023	\$ 464,296
Thereafter	\$

Note 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

A. Plan Description

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

Benefits Provided

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

Notes to the Financial Statements

For the Year Ended September 30, 2018

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	262
Active Employees	<u>444</u>
Total	<u>706</u>

Total OPEB Liability

The Commission's total OPEB liability of \$74,670,652 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs

The total OPEB liability in the September 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3.0% including inflation
Discount Rate	3.63% annually (Beginning of Year to Determine ADC) 4.18% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

ADC = Actuarially Determined Contributions

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the September 30, 2018, valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2018.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Changes in the Total OPEB Liability

Balance at September 30, 2017	\$81,534,141
Changes for the year:	
Service Cost	2,412,689
Interest	2,879,997
Difference between expected and actual experience	(2,130,777)
Changes in assumptions	(7,850,782)
Benefit payments and net transfers	(2,174,616)
Net Changes	<u>(6,863,489)</u>
Balance at September 30, 2018	<u>\$74,670,652</u>

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

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.18%) or 1-percentage point higher (5.18%) than the current discount rate:

	1% Decrease (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB Liability	\$88,641,461	\$74,670,652	\$63,739,175

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

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (4.5%) or 1-percentage point higher (6.5%) than the current healthcare trend rates:

	1% Decrease (4.50%)	Current Trend (5.50%)	1% Increase (6.50%)
Total OPEB Liability	\$63,501,314	\$74,670,652	\$88,828,412

Notes to the Financial Statements

For the Year Ended September 30, 2018

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

For the year ended September 30, 2018, the Commission recognized OPEB expense of \$4,294,530. At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Inflows of Resources
Differences between expected and actual experience
Changes of assumptions
Total

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

Year Ending:
September 30, 2019
2020
2021
2022
2023
Thereafter

\$ (998,156)

\$ (998,156)

\$ (998,156)

\$ (998,156)

\$ (998,156)

\$ (3,992,623)

Note 8 – Construction and Other Significant Commitments

At September 30, 2018, the Commission is obligated under significant construction contracts as follows:

	Total Amount Paid	Total Contract Amount
911 Emergency Operations and Communications Center	\$12,202,347.90	\$12,407,942.25

Notes to the Financial Statements ***For the Year Ended September 30, 2018***

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, 2018, the principal amount of \$1,493,750.00 in revenue bonds was outstanding. PARA is primarily responsible for repayment of interest and principal on these bonds.

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

Note 10 – Payables

On September 30, 2018, payables for the Commission's individual major funds and nonmajor funds in the aggregate are as follows:

	Vendors	Intergovernmental	Employee Benefits	Total Payables
Governmental Activities:				
General Fund	\$1,982,659.51	\$	\$13,685.94	\$1,996,345.45
Road and Bridge Fund	959,442.17			959,442.17
Reappraisal Fund	19,208.34	846,819.46		866,027.80
Other Governmental Funds	146,205.13			146,205.13
Total – Governmental Activities	\$3,107,515.15	\$846,819.46	\$13,685.94	\$3,968,020.55

Note 11 – Short-Term Debt

On December 1, 2017, Commission approved the authorization of a loan in an amount not to exceed \$5,000,000 by the Tuscaloosa County Emergency Management Communications District for the construction of a new emergency communications center. Per the agreement, one or more advances of the proceeds of the loan may be made during the advance period in an aggregate amount not exceeding \$5,000,000. Repayment of the loan will be made with the District's share of statewide 911 charges. Advances drawn and outstanding as of September 30, 2018, totaled \$2,000,000.

	Beginning Balance	Proceeds	Repaid	Ending Balance
Revenue Bond, Series 2017	\$	\$2,000,000.00	\$	\$2,000,000.00

Notes to the Financial Statements ***For the Year Ended September 30, 2018***

Note 12 – Long-Term Debt

	Debt Outstanding 10/01/2017 (*)	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2018	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities:					
Estimated Liability for Compensated Absences	\$ 5,493,353.12	\$1,053,494.00	\$ (3,489.03)	\$ 5,489,864.09	\$226,528.45
Net Other Postemployment Benefit Obligation	81,534,141.00		(6,863,489.00)	74,670,652.00	
Net Pension Liability	41,864,741.00	1,053,494.00		42,918,235.00	
Total Other Liabilities	<u>128,892,235.12</u>	<u>1,053,494.00</u>	<u>(6,866,978.03)</u>	<u>123,078,751.09</u>	<u>226,528.45</u>
Total Governmental Activities					
Long-Term Liabilities	\$128,892,235.12	\$	\$(6,866,978.03)	\$123,078,751.09	\$226,528.45

(*) Beginning balance was restated due to the implementation of GASB Statement Number 75.

Note 13 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission is self-insured with regard to worker's compensation insurance, employees' health insurance, and general liability insurance coverage. The Commission purchases commercial insurance for its other risks of loss, including property, vehicle and casualty insurance. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Worker's Compensation Insurance – The Commission is self-insured with regard to worker's compensation coverage. The Commission retains the risk of loss of \$900,000 per occurrence, has a specific limit of indemnity of \$1,000,000 per occurrence, and also has an aggregate limit of indemnity of \$3,000,000 for the liability period. The Commission purchases insurance for claims in excess of the specific and aggregate limits. An estimate of the claims liability is reported in the General Fund. These liabilities are based on estimates utilizing historical loss experience and current trends on a case-by-case review, as determined by an actuarial valuation. A liability analysis is performed every 3 years and was last performed at September 30, 2018. The estimated liability for claims lost as of September 30, 2018 was \$765,074.00 and was based upon the actuarial valuation performed at September 30, 2018.

Notes to the Financial Statements

For the Year Ended September 30, 2018

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 \$670.00 per employee with single coverage and \$1,340.00 per employee with family coverage each month. The Administrator was paid a total of \$9,744,399.67 during the 2018 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, 2018 was \$269,075.57.

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, 2018, in the General Fund the Commission had \$2,871,002.10 reserved for general liability.

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	
	2018	2017
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	422,414.89	251,671.73
Total Insured Claims and Claim Adjustment Expense	<u>422,414.89</u>	<u>251,671.73</u>
 Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	365,493.12	231,445.54
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	7,414.77	20,226.19
Total Payments	<u>372,907.89</u>	<u>251,671.73</u>
Total Unpaid Claim and Claim Adjustment Expenses at End of the Fiscal Year	<u>\$765,074.00</u>	<u>\$715,567.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2018

Employees Health Insurance		General Liability		Totals	
2018	2017	2018	2017	2018	2017
\$ 202,440.87	\$ 222,459.93	\$	\$	\$ 918,007.87	\$ 938,026.93
9,744,399.67	10,524,461.50	8,042.68	2,000.00	10,174,857.24	10,778,133.23
9,744,399.67	10,524,461.50	8,042.68	2,000.00	10,174,857.24	10,778,133.23
9,475,324.10	10,322,020.63	8,042.68	2,000.00	9,848,859.90	10,555,466.17
202,440.87	222,459.93			209,855.64	242,686.12
9,677,764.97	10,544,480.56	8,042.68	2,000.00	10,058,715.54	10,798,152.29
\$ 269,075.57	\$ 202,440.87	\$	\$	\$ 1,034,149.57	\$ 918,007.87

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 14 – Interfund Transactions

Interfund Receivables/Payables

The amounts due to/from other funds at September 30, 2018, were as follows:

Interfund Payables				
	Road and Bridge Fund	Reappraisal Fund	Other Governmental Funds	Totals
Interfund Receivables:				
General Fund	\$96,885.00	\$65,693.52	\$387,136.29	\$549,714.81
Road and Bridge Fund		33,859.71		33,859.71
Totals	\$96,885.00	\$99,553.23	\$387,136.29	\$583,574.52

Interfund Transfers

Transfers Out		
	General Fund	Totals
Transfers In:		
Road and Bridge Fund	\$ 9,978,802.96	\$ 9,978,802.96
Other Governmental Funds	5,759,173.39	5,759,173.39
Totals	\$15,737,976.35	\$15,737,976.35

The Commission typically used transfers to fund ongoing operations.

Note 15 – 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.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 16 – Restatements

In fiscal year 2018, the Commission adopted Governmental Accounting Standards Board Statement Number 75 (GASB 75), ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)***, as amended by GASB Statement Number 85, ***Omnibus 2017***. The provisions of GASB 75 established accounting and financial reporting standards for postemployment benefit other than pensions that are provided to the employees of state and local governmental employers through OPEB plans. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Commission's financial statements. Actuarial computation beginning OPEB balances were determined. For fiscal year 2018, the Commission made prior period adjustment due to the adoption of GASB 75 which required the restatement of the September 30, 2017 net position in Governmental Activities. The impact of these restatements on net position are as follows:

	Governmental Activities	Total
Net Position, September 30, 2017, as Previously Reported	\$ 48,465,995.58	\$ 48,465,995.58
<u>Restatement Due to the Adoption of GASB Statement Number 75:</u>		
Net OPEB Liability Due to Actuarial Computation	(48,417,852.00)	(48,417,852.00)
Net Position, September 30, 2017, as Restated	<u>\$ 48,143.58</u>	<u>\$ 48,143.58</u>

The Tuscaloosa County Commission re-evaluated fund roll-ups according to GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions, for fiscal year ended September 30, 2018. This resulted in a change in the format and method of reporting fund balance in the basic financial statements.

The impact of the restatement on the fund balances as previous reported is as follows:

	General Fund	Road and Bridge Fund	E-911 Communications Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance September 30, 2017	\$38,785,936.75	\$(1,575,551.14)	\$ 1,802,028.52	\$4,891,387.49	\$43,903,801.35
Effect of Change in Reporting Entity		1,271,770.40	(1,802,028.52)	530,258.12	
Fund Balance, September 30, 2017, as Restated	<u>\$38,785,936.75</u>	<u>\$ (303,781.01)</u>	<u>\$</u>	<u>\$5,421,645.61</u>	<u>\$43,903,801.35</u>

Notes to the Financial Statements
For the Year Ended September 30, 2018

Note 17 – 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, 2018, the Tuscaloosa County Commission abated property taxes totaling \$667,700.67 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

2018 Tax Abatement	
Hunt Refining Company	\$667,700.67

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

Required Supplementary Information

***Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2018***

	2017	2016
Total pension liability		
Service cost	\$ 2,053,982	\$ 1,927,014
Interest	7,623,304	7,304,948
Differences between expected and actual experience	3,043,721	(221,436)
Changes of assumptions		3,995,682
Benefit payments, including refunds of employee contributions	(6,133,625)	(5,691,633)
Transfers among employees	82,934	(40,228)
Net change in total pension liability	6,670,316	7,274,347
Total pension liability - beginning	<u>101,432,019</u>	<u>94,157,672</u>
Total pension liability - ending (a)	<u>\$ 108,102,335</u>	<u>\$ 101,432,019</u>
Plan fiduciary net position		
Contributions - employer	\$ 2,835,307	\$ 2,917,950
Contributions - employee	1,326,128	1,634,594
Net investment income	7,506,078	5,560,202
Benefit payments, including refunds of employee contributions	(6,133,625)	(5,691,633)
Other (Transfers among employers)	82,934	(40,228)
Net change in plan fiduciary net position	5,616,822	4,380,885
Plan fiduciary net position - beginning	<u>59,567,278</u>	<u>55,186,393</u>
Plan fiduciary net position - ending (b)	<u>\$ 65,184,100</u>	<u>\$ 59,567,278</u>
County's net pension liability - ending (a) - (b)	<u>\$ 42,918,235</u>	<u>\$ 41,864,741</u>
Plan fiduciary net position as a percentage of the total pension liability	60.30%	58.73%
Covered-employee payroll (*)	\$ 24,325,937	\$ 25,176,927
County's net pension liability as a percentage of covered-employee payroll	176.43%	166.28%

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

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

	2015	2014
\$	1,948,724	\$ 1,893,833
	6,907,887	6,652,492
	1,760,015	
	(5,615,091)	(5,092,669)
	5,001,535	3,453,656
	89,156,137	85,702,481
<u>\$</u>	<u>94,157,672</u>	<u>\$ 89,156,137</u>
\$	2,782,921	\$ 2,915,125
	1,281,849	1,284,132
	658,481	6,083,165
	(5,615,091)	(5,092,669)
	(400,893)	229,022
	(1,292,733)	5,418,775
	56,479,126	51,060,351
<u>\$</u>	<u>55,186,393</u>	<u>\$ 56,479,126</u>
\$	38,971,279	\$ 32,677,011
	58.61%	63.35%
\$	23,177,010	\$ 23,647,301
	168.15%	138.18%

**Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2018**

	2018	2017
Actuarially determined contribution (*)	\$ 2,963,733	\$ 2,835,307
Contributions in relation to the actuarially determined contribution (*)	<u>\$ 2,963,733</u>	<u>\$ 2,835,307</u>
Contribution deficiency (excess)	\$	\$
Covered payroll (**)	\$ 23,787,700	\$ 24,325,937
Contributions as a percentage of covered-employee payroll	12.46%	11.66%

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

(**) Employer's covered payroll for fiscal year 2018 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 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

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

2016		2015		2014
\$ 2,917,950	\$ 2,782,921	\$ 2,915,125		
<u>\$ 2,917,950</u>	<u>\$ 2,782,921</u>	<u>\$ 2,915,125</u>		
\$	\$	\$		
\$ 25,176,927	\$ 23,177,010	\$ 23,647,301		
11.59%	12.01%	12.33%		

**Schedule of Changes in the Employer's Net
Other Postemployment Benefits (OPEB) Liability
For the Year Ended September 30, 2018**

	2018
Total OPEB Liability	
Service cost	\$ 2,412,689
Interest	2,879,997
Differences between expected and actual experience	(2,130,777)
Changes of assumptions	(7,850,782)
Benefit payments	<u>(2,174,616)</u>
Net change in total OPEB liability	(6,863,489)
Total OPEB Liability - Beginning	<u>81,534,141</u>
Total OPEB Liability - Ending	<u>\$ 74,670,652</u>
Covered-employee payroll	\$ 24,106,887
Net OPEB liability as a percentage of covered-employee payroll	309.75%

Notes to Schedule

Benefit Changes: There were no changes of benefit terms for the year ended September 30, 2018.

Changes in Assumptions: The discount rate as of September 30, 2017 was 3.63% and it changed to 4.18% as of September 30, 2018.

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

**Schedule of the Employer's Contribution -
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2018**

	2018
Actuarially determined contribution	\$ 6,890,354
Contributions in relation to the actuarially determined contribution	<u>\$ 2,174,616</u>
Contribution deficiency (excess)	<u>\$ 4,715,738</u>
Covered-employee payroll	\$ 24,106,887
Contributions as a percentage of covered-employee payroll	9.02%

Notes to Schedule

Valuation date: October 1, 2017

Actuarially determined contribution (ADC) rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market Value
Inflation	2.50% annually
Healthcare cost trend rates	Flat 5.50% annually
Salary increases	3.00% annually
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Discount Rate	3.63% annually (Beginning of Year to Determine ADC) 4.18% annually (As of End of Year Measurement Date)
Retirement age	30 years of service at any age; or, attainment of age 60 and 10 years of service; employees hired on and after January 1, 2013 are not eligible to retire before age 62.
Mortality	RP-2000 without projection, 50% unisex blend
Turnover	Age specific table with an average of 5% when applied to the active census.

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	
	Original	Final	Budgetary Basis	
Revenues				
Taxes	\$ 42,760,190.00	\$ 43,623,481.00	\$ 43,766,293.64	
Licenses and Permits	777,000.00	777,000.00	853,240.68	
Intergovernmental	4,602,000.00	4,891,000.00	5,659,665.28	
Charges for Services	5,412,400.00	5,412,400.00	5,509,519.24	
Miscellaneous	657,561.00	1,157,561.00	354,649.83	
Total Revenues	<u>54,209,151.00</u>	<u>55,861,442.00</u>	<u>56,143,368.67</u>	
Expenditures				
Current:				
General Government	16,129,281.00	16,129,281.00	16,165,152.90	
Public Safety	25,369,010.00	25,369,010.00	26,312,966.48	
Sanitation	632,975.00	632,975.00	532,541.91	
Health	800,989.00	800,989.00	712,226.40	
Welfare	200,405.00	200,405.00	216,450.13	
Culture and Recreation	4,410,490.00	4,410,490.00	4,349,529.13	
Education	410,797.00	410,797.00	322,000.20	
Capital Outlay	2,045,400.00	2,701,859.00	2,087,461.00	
Total Expenditures	<u>49,999,347.00</u>	<u>50,655,806.00</u>	<u>50,698,328.15</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>4,209,804.00</u>	<u>5,205,636.00</u>	<u>5,445,040.52</u>	
Other Financing Sources (Uses)				
Transfers Out	(4,209,804.00)	(5,205,636.00)	(15,737,976.35)	
Total Other Financing Sources (Uses)	<u>(4,209,804.00)</u>	<u>(5,205,636.00)</u>	<u>(15,737,976.35)</u>	
Net Change in Fund Balances			(10,292,935.83)	
Fund Balances - Beginning of Year			35,889,660.96	
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 25,596,725.13</u>	

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 60,574.73	\$ 43,826,868.37
	853,240.68	5,659,665.28
	5,509,519.24	11,353,864.10
(2)	<u>10,999,214.27</u>	<u>11,353,864.10</u>
	<u>11,059,789.00</u>	<u>67,203,157.67</u>
(3)	(9,995,666.12)	26,160,819.02
(3)	(69,921.38)	26,382,887.86
(3)	(1,018.48)	533,560.39
(3)	32.29	712,194.11
	216,450.13	4,349,529.13
	322,000.20	322,000.20
	2,087,461.00	(10,066,573.69)
	<u>993,215.31</u>	<u>60,764,901.84</u>
	<u>993,215.31</u>	<u>6,438,255.83</u>
	<u>(15,737,976.35)</u>	<u>(15,737,976.35)</u>
(4)	993,215.31	(9,299,720.52)
	<u>2,896,275.79</u>	<u>38,785,936.75</u>
	<u>\$ 3,889,491.10</u>	<u>\$ 29,486,216.23</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018

**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	\$ 10,999,213.50
Tax Assessor Special Revenue Fund	0.28
Tax Collector Special Revenue Fund	0.49

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

Net Increase 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.

\$ 60,574.73

10,999,214.27

(10,066,573.69)

\$ 993,215.31

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road and Bridge Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	
	Original	Final	Budgetary Basis	
<u>Revenues</u>				
Taxes	\$ 9,792,147.00	\$ 9,792,147.00	\$ 9,907,434.32	
Licenses and Permits	315,000.00	315,000.00	327,739.51	
Intergovernmental	3,656,000.00	3,656,000.00	4,101,813.06	
Charges for Service	25,000.00	25,000.00	2,724.53	
Miscellaneous	140,000.00	140,000.00	17,702.37	
Total Revenues	<u>13,928,147.00</u>	<u>13,928,147.00</u>	<u>14,357,413.79</u>	
<u>Expenditures</u>				
Current:				
Highways and Roads	18,714,551.00	19,214,551.00	21,721,019.03	
Capital Outlay	1,966,200.00	1,966,200.00	1,347,894.00	
Total Expenditures	<u>20,680,751.00</u>	<u>21,180,751.00</u>	<u>23,068,913.03</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,752,604.00)</u>	<u>(7,252,604.00)</u>	<u>(8,711,499.24)</u>	
<u>Other Financing Sources (Uses)</u>				
Transfers In	6,752,604.00	7,252,604.00	13,121,602.96	
Sale of Capital Assets			212,078.74	
Total Other Financing Sources (Uses)	<u>6,752,604.00</u>	<u>7,252,604.00</u>	<u>13,333,681.70</u>	
Net Change in Fund Balances			4,622,182.46	
Fund Balances - Beginning of Year			<u>(1,979,588.37)</u>	
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>2,642,594.09</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 29,493.33	\$ 9,936,927.65 327,739.51
(2)	3,550,325.14	7,652,138.20 2,724.53
(2)	1,984.23	19,686.60
	<u>3,581,802.70</u>	<u>17,939,216.49</u>
(3)	(19,198.68)	21,740,217.71 1,347,894.00
	<u>(19,198.68)</u>	<u>23,088,111.71</u>
	<u>3,562,604.02</u>	<u>(5,148,895.22)</u>
(4)	(3,142,800.00)	9,978,802.96 212,078.74
	<u>(3,142,800.00)</u>	<u>10,190,881.70</u>
	419,804.02	5,041,986.48
(5)	<u>1,675,807.36</u>	<u>(303,781.01)</u>
	<u>\$ 2,095,611.38</u>	<u>\$ 4,738,205.47</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road and Bridge Fund
For the Year Ended September 30, 2018

**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>3,552,309.37</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 Road and Bridge Fund for reporting purposes, but are budgeted separately.

Capital Improvement Fund	\$ <u>(3,142,800.00)</u>
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Net Increase 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.

\$ 29,493.33

3,552,309.37

(19,198.68)

(3,142,800.00)

\$ 419,804.02

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	
	Original	Final	Budgetary Basis	
<u>Revenues</u>				
Taxes	\$ 3,738,858.00	\$ 3,738,858.00	\$ 2,872,725.14	
Miscellaneous			20,476.77	
Total Revenues	<u>3,738,858.00</u>	<u>3,738,858.00</u>	<u>2,893,201.91</u>	
<u>Expenditures</u>				
Current:				
General Government	3,461,858.00	3,461,858.00	2,535,337.28	
Capital Outlay	277,000.00	277,000.00	346,890.00	
Total Expenditures	<u>3,738,858.00</u>	<u>3,738,858.00</u>	<u>2,882,227.28</u>	
Excess (Deficiency) of Revenues Over Expenditures			10,974.63	
Net Change in Fund Balances			10,974.63	
Fund Balances - Beginning of Year			39,113.66	
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 50,088.29</u>	

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

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

Net Decrease in Fund Balance - Budget to GAAP

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

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 2,872,725.14
		20,476.77
		<u>2,893,201.91</u>
(1)	(10,974.63)	2,546,311.91
		346,890.00
	<u>(10,974.63)</u>	<u>2,893,201.91</u>
		<u>(10,974.63)</u>
(2)	<u>(39,113.66)</u>	
	<u>\$ (50,088.29) \$</u>	
	<u>\$ (10,974.63)</u>	
	<u><u>\$ (10,974.63)</u></u>	

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Additional Information

Commission Members and Administrative Personnel
October 1, 2017 through September 30, 2018

<u>Commission Members</u>		<u>Term Expires</u>
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

<u>Administrative Personnel</u>		
William Lamb	Chief Financial Officer	
Melvin Vines	County Administrator	

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

Independent Auditor's Report

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, 2018, 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 January 30, 2020.

Internal Control Over Financial Reporting

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

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

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

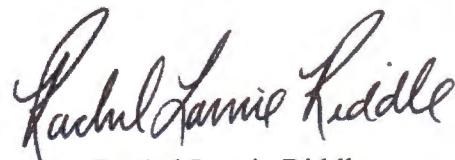
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

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

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 30, 2020