

Report on the

St. Clair County Commission

St. Clair County, Alabama

October 1, 2014 through September 30, 2015

Filed: November 11, 2016



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

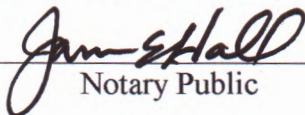
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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

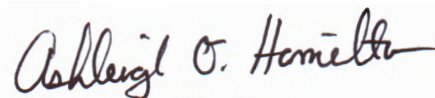
Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the St. Clair County Commission, St. Clair County, Alabama, for the period October 1, 2014 through September 30, 2015.

Sworn to and subscribed before me this
the 1st day of November, 2016.



Notary Public

Respectfully submitted,


Ashleigh O. Hamilton
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**St. Clair County Commission
October 1, 2014 through September 30, 2015**

The St. Clair County Commission (the “Commission”) is governed by a five-member body elected by the citizens of St. Clair County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 15. 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 St. Clair 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 41-5-14.

An unmodified opinion was issued on the basic financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2015.

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

The following officials/employees were invited to an exit conference to discuss the contents of this report: Administrator of the County Commission: Kellie L. Graff; and County Commissioners: Paul Manning, Stanley D. Batemon, Jeff Brown, Kenneth L. Crowe, Tommy Bowers, and James S. Roberts. The following individuals attended the exit conference, held at the offices of the Commission: County Commissioners: Paul Manning and Kenneth L. Crowe. Representatives of the Department of Examiners of Public Accounts in attendance were: Whitney Atchison, Audit Manager and Ashleigh O. Hamilton, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

To: Members of the St. Clair County Commission and County Administrator

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 St. Clair County Commission, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the St. Clair 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 St. Clair 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 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 St. Clair County Commission, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, during the fiscal year ended September 30, 2015, the St. Clair County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedules of Changes in Net Pension Liability, Schedules of the Employer's Contributions, Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedule of Funding Progress (Exhibits 9 through 14) 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The St. Clair County Commission has not presented a Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated October 13, 2016, on our consideration of the St. Clair County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering the St. Clair County Commission's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

October 13, 2016

Basic Financial Statements

Statement of Net Position
September 30, 2015

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 8,653,915.46
Cash with Fiscal Agent	265,741.98
Accounts Receivable	334,392.46
Ad Valorem Taxes Receivable	7,634,335.26
Due From Other Governments	728,275.07
Sales Tax Receivable	649,488.22
Notes Receivable (Note 12)	5,625,327.35
Capital Assets (Note 4):	
Nondepreciable	3,484,494.41
Depreciable, Net	33,790,924.61
Total Assets	<u>61,166,894.82</u>
<u>Deferred Outflows of Resources</u>	
Deferred Loss on Refunding	1,033,167.37
Employer Pension Contributions	1,098,840.00
Total Deferred Outflows of Resources	<u>2,132,007.37</u>
<u>Liabilities</u>	
Accounts Payable	228,659.92
Unearned Revenue	130,544.10
Accrued Wages Payable	625,143.21
Accrued Interest Payable	182,416.90
Long-Term Liabilities:	
Portions Payable Within One Year:	
Warrants Payable	5,370,000.00
Deferred Charges - Unamortized Discount	(1,837.16)
Deferred Charges - Unamortized Premium	13,596.96
Estimated Liability for Compensated Absences	16,242.79
Portions Payable After One Year:	
Warrants Payable	25,710,000.00
Deferred Charges - Unamortized Discount	(6,583.19)
Deferred Charges - Unamortized Premium	1,064,240.63
Estimated Liability for Compensated Absences	2,772,008.01
Net Pension Liability	9,019,701.00
Other Post Employment Benefit Obligation	3,520,750.00
Total Liabilities	<u>\$ 48,644,883.17</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 Taxes	\$ 7,494,255.20
Revenue Received in Advance - Motor Vehicle Taxes	518,622.94
Deferred Inflows Related to Pension Plan Investments	678,494.00
Total Deferred Inflows of Resources	<u>8,691,372.14</u>
<u>Net Position</u>	
Net Investment in Capital Assets	22,640,513.25
Restricted for:	
Debt Service	83,325.08
Road Projects	917,959.09
Public Safety	1,460,331.57
Juvenile Services	437,600.25
Other Purposes	510,506.62
Unrestricted	<u>(20,087,588.98)</u>
Total Net Position	<u>\$ 5,962,646.88</u>

Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<u>Primary Government</u>			
<u>Governmental Activities</u>			
General Government	\$ 8,239,892.14	\$ 2,859,785.17	\$ 471,641.04
Public Safety	12,392,099.57	2,470,060.73	331,378.49
Highways and Roads	10,820,701.13	142,488.55	3,572,203.31
Sanitation	887,577.72	153,781.84	
Health	375,611.13		6,126.24
Welfare	75,661.00		
Culture/Recreation	175,467.53		
Education	218,406.59		
Warrant Issuance Cost	159,115.00		
Interest on Long-Term Debt	1,231,513.41		
Intergovernmental	159,647.01		
Total Governmental Activities	\$ 34,735,692.23	\$ 5,626,116.29	\$ 4,381,349.08

General Revenues:

Taxes:

Property Taxes for General Purposes
Property Taxes for Specific Purposes
County Sales and Use Taxes
Miscellaneous Taxes

Grants and Contributions Not Restricted
to Specific Programs

Interest Earned

Miscellaneous

Gain on Disposition of Capital Assets

Total General Revenues

Change in Net Position

Net Position - Beginning of Year, as Restated (Note 14)

Net Position - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$	\$
96,687.18	(4,908,465.93)
4,147,120.00	(9,493,973.17)
	(2,958,889.27)
	(733,795.88)
	(369,484.89)
	(75,661.00)
	(175,467.53)
	(218,406.59)
	(159,115.00)
	(1,231,513.41)
	(159,647.01)
<u>\$ 4,243,807.18</u>	<u>(20,484,419.68)</u>

4,855,616.56
3,642,722.93
7,491,869.11
1,937,118.48
784,414.02
15,157.58
2,322,943.89
89,549.70
<u>21,139,392.27</u>
654,972.59
<u>5,307,674.29</u>
<u>\$ 5,962,646.88</u>

Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Gasoline Tax Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,518,639.12	\$ 297,052.88
Cash with Fiscal Agent		
Accounts Receivable	40,350.35	65.00
Ad Valorem Taxes Receivable	6,043,372.06	
Sales Tax Receivable	649,488.22	
Interfund Receivables	121,481.07	
Due From Other Governments	270,141.11	162,094.51
Notes Receivable (Note 12)	28,678.78	
Total Assets	<u>12,672,150.71</u>	<u>459,212.39</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	204,033.68	1,424.90
Interfund Payables		
Unearned Revenue		
Accrued Wages Payable	425,161.48	114,508.11
Compensated Absences	16,242.79	
Total Liabilities	<u>645,437.95</u>	<u>115,933.01</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue Property Taxes	5,903,292.00	
Revenue Received in Advance - Motor Vehicle Taxes	518,622.94	
Total Deferred Inflows of Resources	<u>6,421,914.94</u>	
<u>Fund Balances</u>		
Restricted for:		
Juvenile Services		
Debt Services		
Highways and Roads		
Public Safety		
Other Purposes		
Assigned to:		
Highways and Roads		343,279.38
Other Purposes	1,440,932.24	
Unassigned	4,163,865.58	
Total Fund Balances	<u>5,604,797.82</u>	<u>343,279.38</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,672,150.71</u>	<u>\$ 459,212.39</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 177,271.85	\$ 2,660,951.61	\$ 8,653,915.46
	265,741.98	265,741.98
	293,977.11	334,392.46
1,590,963.20		7,634,335.26
		649,488.22
	4,118.90	125,599.97
	296,039.45	728,275.07
		28,678.78
<u>1,768,235.05</u>	<u>3,520,829.05</u>	<u>18,420,427.20</u>
1,141.20	22,060.14	228,659.92
	125,599.97	125,599.97
130,544.10		130,544.10
45,586.55	39,887.07	625,143.21
		16,242.79
<u>177,271.85</u>	<u>187,547.18</u>	<u>1,126,189.99</u>
1,590,963.20		7,494,255.20
		518,622.94
<u>1,590,963.20</u>		<u>8,012,878.14</u>
	437,600.25	437,600.25
	292,377.64	292,377.64
	574,792.20	574,792.20
	1,355,977.76	1,355,977.76
	510,506.62	510,506.62
		343,279.38
	162,027.40	1,602,959.64
		4,163,865.58
	<u>3,333,281.87</u>	<u>9,281,359.07</u>
<u>\$ 1,768,235.05</u>	<u>\$ 3,520,829.05</u>	<u>\$ 18,420,427.20</u>

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

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 9,281,359.07

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 37,275,419.02

All notes receivables are not due and payable in the current period and, therefore, are not reported as notes receivables in the funds. 5,596,648.57

Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current period expenditures and, therefore, are deferred on the Statement of Net Position. 1,033,167.37

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

Deferred Outflows related to Defined Benefit Pension Plan	\$ 1,098,840.00	
Deferred Inflows related to Defined Benefit Pension Plan	<u>(678,494.00)</u>	420,346.00

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

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 5,370,000.00	25,710,000.00	
Unamortized - Discounts	(1,837.16)	(6,583.19)	
Unamortized - Premiums	13,596.96	1,064,240.63	
Accrued Interest Payable	182,416.90		
Other Post Employment Benefits Obligation		3,520,750.00	
Net Pension Liability		9,019,701.00	
Compensated Absences		2,772,008.01	
Total Long-Term Liabilities	<u>\$ 5,564,176.70</u>	<u>\$ 42,080,116.45</u>	<u>(47,644,293.15)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 5,962,646.88

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

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

	General Fund	Gasoline Tax Fund
<u>Revenues</u>		
Taxes	\$ 15,730,811.39	\$
Licenses and Permits	140,295.83	
Intergovernmental	528,280.43	6,145,857.39
Charges for Services	3,130,212.44	142,488.55
Miscellaneous	457,867.55	474,123.38
Total Revenues	<u>19,987,467.64</u>	<u>6,762,469.32</u>
<u>Expenditures</u>		
Current:		
General Government	5,540,300.44	
Public Safety	8,810,800.07	
Highways and Roads	705,855.26	8,003,370.14
Sanitation	887,577.72	
Health	291,487.75	
Welfare	75,661.00	
Culture/Recreation	172,297.97	
Education	218,406.59	
Capital Outlay	1,805,379.25	194,684.65
Debt Service:		
Warrant Issuance Costs		
Principal Retirement		
Interest and Fiscal Charges	2,002.19	
Intergovernmental	159,647.01	
Total Expenditures	<u>18,669,415.25</u>	<u>8,198,054.79</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,318,052.39</u>	<u>(1,435,585.47)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In		1,200,000.00
Sale of Capital Assets	433,685.00	36,520.00
Other Financing Sources	15,000.00	
Debt Issued		
Payments to Escrow Agent		
Premium on Warrant		
Transfers Out	(3,178,877.66)	
Total Other Financing Sources (Uses)	<u>(2,730,192.66)</u>	<u>1,236,520.00</u>
Net Change in Fund Balances	(1,412,140.27)	(199,065.47)
Fund Balances - Beginning of Year	7,016,938.09	542,344.85
Fund Balances - End of Year	<u>\$ 5,604,797.82</u>	<u>\$ 343,279.38</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,318,257.68	\$ 878,258.01	\$ 17,927,327.08
	215,762.50	356,058.33
	2,735,432.46	9,409,570.28
383.55	1,996,973.42	5,270,057.96
3,566.77	1,431,222.55	2,366,780.25
1,322,208.00	7,257,648.94	35,329,793.90
1,293,402.00	781,140.99	7,614,843.43
	2,887,875.54	11,698,675.61
	1,580,656.96	10,289,882.36
		887,577.72
		291,487.75
		75,661.00
	482.50	172,780.47
		218,406.59
28,806.00	801,769.85	2,830,639.75
	159,115.00	159,115.00
	1,493,610.66	1,493,610.66
	1,282,974.13	1,284,976.32
		159,647.01
1,322,208.00	8,987,625.63	37,177,303.67
	(1,729,976.69)	(1,847,509.77)
	1,978,877.66	3,178,877.66
		470,205.00
		15,000.00
	9,860,000.00	9,860,000.00
	(10,587,510.00)	(10,587,510.00)
	886,625.00	886,625.00
		(3,178,877.66)
	2,137,992.66	644,320.00
	408,015.97	(1,203,189.77)
	2,925,265.90	10,484,548.84
\$	\$ 3,333,281.87	\$ 9,281,359.07

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

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (1,203,189.77)

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

Governmental funds report capital outlay as an expenditure. However, in the
Statement of Activities, the cost of these assets is allocated over their estimated
useful lives as depreciation expense. This is the amount by which depreciation
(\$1,832,121.10) differs from capital outlay (\$2,830,639.75) in the current period. 998,518.65

Repayments of debt principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the Statement of Net Position and does
not affect the Statement of Activities. 1,493,610.66

Payments to refunding escrow agent are recorded as expenditures or other financing
uses in governmental funds, but reduce long-term liabilities in the Statement of
Net Position and do not affect the Statement of Activities. 10,587,510.00

The issuance of debt is reported as other financing sources in governmental funds and
thus contributes to the change in fund balance. However, in the Statement of Net
Position, issuing debt increases long-term liabilities and does not affect the Statement
of Activities. (9,860,000.00)

Premiums on debt issuance are recorded as financing uses/expenditures in the
governmental funds, but are deferred and amortized in the Statement of Activities. (886,625.00)

In the Statement of Activities, only the loss on the sale of capital assets is reported,
whereas in the governmental funds, the proceeds from the sale increase financial
resources. Thus the changes in net position differs from the change in fund balance
by the cost of the capital assets sold. (380,655.30)

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

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

Net Decrease in Compensated Absences	\$	48,660.98	
Amortization of Bond Discounts/Premiums/ Gain or Loss on Refunding		819.87	
Net Increase in Other Post Employment Benefits Payable		(333,917.76)	
Net Decrease in Accrued Interest Payable		52,643.04	
Pension Expense		<u>181,276.00</u>	
Total Additional Expenditures			(50,517.87)

In the Statement of Revenues, Expenditures and Changes in Fund Balances, revenues that are associated with Notes Receivable are recorded on the modified accrual basis of accounting when they are both measurable and available. In the Statement of Activities, revenues are recorded when earned based on the accrual basis using the economic resources measurement focus.

(43,678.78)

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 654,972.59

Statement of Fiduciary Net Position
September 30, 2015

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 2,548,213.58	\$ 49,365.83
Due From Other Governments		55,133.59
Capital Assets, Net of Depreciation (Note 4)	12,541.65	
Total Assets	<u>2,560,755.23</u>	<u>104,499.42</u>
<u>Liabilities</u>		
Due To Original Property Owner	1,562,482.82	
Accounts Payable	1,810.12	24,515.67
Due To Other Governments		79,983.75
Total Liabilities	<u>1,564,292.94</u>	<u>\$ 104,499.42</u>
<u>Net Position</u>		
Net Investment in Capital Assets	12,541.65	
Held in Trust for Other Purposes	983,920.64	
Total Net Position	<u>\$ 996,462.29</u>	

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

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2015***

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions by:	
State and Local Governments	\$ 53,204.26
Fees	406,567.03
Miscellaneous	173,570.26
Total Additions	<u>633,341.55</u>
<u>Deductions</u>	
Administrative Expenses	463,934.28
Depreciation	5,960.50
Total Deductions	<u>469,894.78</u>
Changes in Net Assets	163,446.77
Net Position - Beginning of Year	<u>833,015.52</u>
Net Position - End of Year	<u>\$ 996,462.29</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 1 – Summary of Significant Accounting Policies

The financial statements of the St. Clair 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 the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. 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 for each function of the Commission’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental 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. Employee dental insurance is also accounted for in the General Fund as well as the following sub-funds: Contingent and Operations Center Funds. This fund also is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and right-of-ways.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of special county property taxes for the reappraisal of real property located in the County.

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

Governmental Fund Types

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

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

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

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

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

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

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

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

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost. The Commission reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost.

2. Receivables

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

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects. Receivables also include various licenses, taxes, and fees collected and not yet remitted to the Commission and amounts due for housing the inmates of various cities in the County.

3. Restricted Assets

Certain general obligation and special revenue warrants as well as certain resources set aside for their repayment, are considered restricted assets because their use is limited by applicable debt covenants. Cash held by the fiscal agent is considered restricted.

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

4. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	\$ 50,000	20 – 50 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Infrastructure – Roads	\$250,000	20 years
Infrastructure – Bridges	\$ 50,000	40 years

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

5. Deferred Outflows of Resources

Deferred outflows of resources are reported in the government-wide financial statements. 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, 2015

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt.

Bonds/Warrants payable are reported gross of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

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

7. Compensated Absences

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

Annual Leave

After completing a 90 day probationary period, employees earn annual leave as follows:

Upon initial eligibility	4 hours each pay period
After 5 years	5 hours each pay period
After 10 years	6 hours each pay period
After 15 years	7 hours each pay period
After 20 years	8 hours each pay period

Unused annual leave in excess of 30 days at the end of any calendar year shall be forfeited. Employees may carry forward to the next calendar year 30 days or less in leave. Upon separation or termination, employees are paid, up to maximum for annual leave. Leave time paid upon termination or resignation, including retirement, must be taken in a lump-sum payment.

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

Sick Leave

Sick leave benefits are available to employees who have completed the 90 day probationary period. Employees earn four hours of leave every biweekly pay period to a maximum of 1200 hours. Sick leave days do not carryover or accumulate beyond the maximum and employees receive no monetary payment for sick leave credits. Unused sick leave up to 600 hours shall be paid upon death or retirement of an eligible county employee. Sick leave may be converted to retirement service credit.

The Commission uses the termination method to accrue its sick leave liability. Under this method an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

8. Deferred Inflows of Resources

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

9. Pensions

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

10. Net Position/Fund Balances

Net position components are reported on the government-wide financial statements and are 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. Any significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – Is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Net position that 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 the fund financial statements. Fund balances of governmental funds are reported in classifications to indicate the level of constraint on the use of the fund balances. Those classifications and associated constraints are as follows:

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by grantors, contributors or enabling legislation and are generally held in Special Revenue Funds.
- ◆ **Committed** – Committed fund balances consist of amounts that are subject to purpose constraint imposed by formal action of the Commission. Amendments or modifications of the committed fund balance must also be approved by formal action of the Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2015

- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission has delegated authority to the Chairman or County Administrator to make a determination of the assigned amounts of fund balance.

- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. The unassigned balance may only be appropriated by resolution of the County Commission.

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

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 with the exception of motor vehicle ad valorem taxes, which are budgeted only to the extent expected to be collected rather than on the modified accrual basis of accounting. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all other governmental funds.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 3 – Deposits and Investments

A. Deposits

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

B. Investments of the Fiscal Agent

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

As of September 30, 2015, the Commission’s cash with fiscal agent was invested as follows:

Investment Type	Fair Value	Investment Maturity
Federated U. S. Treasury Cash Reserves Fund	\$265,741.98	Varies
Totals	<u>\$265,741.98</u>	

The investment policy approved by the Commission on February 14, 2006, applies primarily to non-fiscal agent deposits, all of which were properly categorized as cash or cash equivalents at September 30, 2015.

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Commission’s investment policy limits the Commission’s investments to maturities of less than one year.

Credit Risk – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor’s Corporation and Moody’s Investors Service, Inc. The Commission has no formal policy regarding credit risk. As of September 30, 2015, the Commission’s investments in money market funds were rated “AA-” by Standard & Poor’s Corporation.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties. However, the Commission’s deposits with Federated U. S. Treasury Cash Reserves Funds do not involve this type of risk as “counterparties” relate to “swap” transactions which are not allowable under the debt covenants.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Commission does not have a formal policy that limits the amount the Commission may invest in any one issuer.

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

Note 4 – Capital Assets

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

	Balance 10/01/2014	Additions	Deletions	Balance 09/30/2015
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,545,787.57	\$ 162,616.45	\$	\$ 2,708,404.02
Construction in Progress		569,118.39		569,118.39
Infrastructure in Progress		206,972.00		206,972.00
Total Capital Assets, Not Being Depreciated	2,545,787.57	938,706.84		3,484,494.41
Capital Assets Being Depreciated:				
Buildings and Improvements	25,534,969.31	160,000.00		25,694,969.31
Construction Equipment	3,750,161.39	614,603.23	(568,027.00)	3,796,737.62
Equipment and Furniture	8,001,392.75	1,117,329.68	(231,787.33)	8,886,935.10
Infrastructure	12,901,467.64			12,901,467.64
Total Capital Assets Being Depreciated	50,187,991.09	1,891,932.91	(799,814.33)	51,280,109.67
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,374,970.21)	(636,750.01)		(7,011,720.22)
Construction Equipment	(1,858,378.86)	(308,905.23)	212,709.10	(1,954,574.99)
Equipment and Furniture	(5,706,148.78)	(799,103.62)	206,449.93	(6,298,802.47)
Infrastructure	(2,136,725.14)	(87,362.24)		(2,224,087.38)
Total Accumulated Depreciation	(16,076,222.99)	(1,832,121.10)	419,159.03	(17,489,185.06)
Total Capital Assets Being Depreciated, Net	34,111,768.10	59,811.81	(380,655.30)	33,790,924.61
Total Governmental Activities Capital Assets, Net	\$ 36,657,555.67	\$ 998,518.65	\$(380,655.30)	\$ 37,275,419.02

	Balance 10/01/2014	Additions	Deletions	Balance 09/30/2015
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Equipment and Furniture	\$ 90,852.45	\$	\$	\$ 90,852.45
Total Capital Assets Being Depreciated	90,852.45			90,852.45
Less Accumulated Depreciation for:				
Equipment and Furniture	(72,350.30)	(5,960.50)		(78,310.80)
Total Capital Assets Being Depreciated, Net	18,502.15	(5,960.50)		12,541.65
Total Fiduciary Funds Capital Assets, Net	\$ 18,502.15	\$(5,960.50)	\$	\$ 12,541.65

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

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 696,492.83
Public Safety	582,919.14
Highway and Roads	467,544.87
Health	82,477.20
Culture/Recreation	2,687.06
Total Depreciation Expense – Governmental Activities	<u>\$1,832,121.10</u>

	Current Year Depreciation Expense
<u>Fiduciary Funds:</u>	
Depreciation	<u>\$5,960.50</u>

Note 5 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

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, 2015

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 based on the member's age, service credit, employment status and eligibility for retirement.

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

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

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the County's active employee contribution rate was 5.32 percent of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 11.10 percent of covered employee payroll.

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

The County's contractually required contribution rate for the year ended September 30, 2015, was 11.31% of pensionable pay for Tier 1 employees, and 9.01% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, 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 System were \$1,098,840.00 for the year ended September 30, 2015.

B. Net Pension Liability

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

	St. Clair County Commission
Total Pension Liability as of September 30, 2013 (a)	\$31,304,321
Entry Age Normal Cost for October 1, 2013 - September 30, 2014 (b)	767,044
Actual Benefit Payments and Refunds for October 1, 2013 - September 30, 2014 (c)	(2,008,857)
Total Pension Liability as of September 30, 2014 = [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$32,486,499

Actuarial Assumptions

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

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

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

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2013	\$31,304,321	\$21,499,064	\$ 9,805,257
Changes for the Year:			
Service Cost	767,044		767,044
Interest	2,423,991		2,423,991
Differences Between Expected and Actual Experience			
Contributions – Employer		1,024,626	(1,024,626)
Contributions – Employee		496,892	(496,892)
Net Investment Income		2,544,953	(2,544,953)
Benefit Payments, including Refunds of Employee Contributions	(2,008,857)	(2,008,857)	
Administrative Expense			
Transfers among Employers		(89,880)	89,880
Net Changes	1,182,178	1,967,734	(785,556)
Balances at September 30, 2014	\$32,486,499	\$23,466,798	\$ 9,019,701

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

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

The following table presents the County's net pension liability calculated using the discount rate of 8%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
County's net pension liability	\$12,703,013	\$9,019,701	\$5,896,696

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

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

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

For the year ended September 30, 2015, the County recognized pension expense of \$917,564. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		678,494
Employer contributions subsequent to the measurement date	1,098,840	
Total	\$1,098,840	\$678,494

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

Year Ending:	
September 30, 2016	\$169,623
2017	\$169,623
2018	\$169,623
2019	\$169,625
2020	\$
Thereafter	\$

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

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The St. Clair County Commission provides a single-employer defined benefit medical insurance plan for eligible retirees and their spouses. The medical insurance plan covers both active and retired members. The *Code of Alabama 1975*, Sections 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report.

B. Funding Policy

The Commission’s contributions were on a pay-as-you-go basis as of September 30, 2015. The Commission pays for continuing health benefits for eligible Commission employees under the Commission’s health benefit plan. A retiree with 25 years of service will have health insurance paid by the Commission for 10 years or until age 65 whichever comes first. A retiree with 30 years of service will have health insurance provided until age 65. Eligible retirees will have 100% of their medical and prescription benefits paid for by the Commission. Medical, drug, and vision benefits are offered for pre-Medicare retirees. For fiscal year 2015, the Commission contributed \$302,477 to cover approximately 30 participants.

Retired employees also may elect to participate in a dental insurance plan in which the full cost of coverage is paid by the retiree.

C. Annual OPEB Cost

For fiscal year 2015, the Commission’s annual other postemployment benefit (OPEB) cost (expense) for medical insurance was \$636,395. The Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Cost Contributed Annual OPEB	Net OPEB Obligation
09/30/2015	\$636,395	47.53%	\$3,520,750
09/30/2014	\$847,577	33.01%	\$3,186,832
09/30/2013	\$847,577	46.40%	\$2,619,057

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

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2015, was as follows:

Actuarial Accrued Liability (AAL)	\$6,937,952
Actuarial Value of Plan Assets	\$0
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$6,937,952</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	\$9,156,721
UAAL as a Percentage of Covered Payroll	75.77%

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

E. Actuarial Methods and Assumptions

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

The actuarial cost method used was the projected unit credit method. The actuarial assumptions included a 4.0 percent investment return assumption (or discount rate) and an annual healthcare cost trend rate of 7.50 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after four years. It was assumed that 100 percent of future retirees would elect medical insurance coverage and 75 percent of retirees electing coverage who have spouses would elect spousal coverage. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 7 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The St. Clair County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2015 amounted to \$72,169.85.

During the 2010 fiscal year, the County entered into a debt guarantee agreement with the Coosa Valley Water Supply District, Incorporation. In the agreement, the County guarantees 25% of certain General Obligation Warrants, Series 2009 issued by the Coosa Valley Water Supply District, Incorporation if the revenues generated by the sale of water are not sufficient to pay the debt service.

The Commission is a defendant in various lawsuits. Management is unable to predict the outcome of the litigation, but believes it has strong grounds upon which to defend these proceedings. Accordingly, no provisions for possible loss, if any, are included in the financial statements.

Note 8 – Long-Term Debt

In November 1999, Gasoline Tax Anticipation Warrants were issued to restore, resurface and rehabilitate roads in the County. These warrants are to be repaid with funds received from the State four-cent gasoline tax. In 2005, warrants were issued to refund the 1999 warrants and to obtain funds to be used for road resurfacing. The interest rate on these warrants varied from 2.7 percent to 4 percent.

In August 2006, the Commission issued General Obligation Warrants, Series 2006, in the amount of \$3,090,000 to finance the Coosa Valley Water Supply District's upgrades to water system facilities and to finance capital outlays of the county. The interest rate on these warrants is 4 percent.

In December 2007, the Commission issued General Obligation Refunding Issues, Series 2007-A, in the amount of \$6,635,000 to refund General Obligation Warrants, Series 1998. The interest rates on these warrants range from 3.75 to 4 percent.

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

In December 2008, the Commission issued General Obligation Warrants, Series 2008, in the amount of \$10,000,000 to finance the renovation of the Ashville Courthouse and road, bridge, water, and sewer improvements. The interest rates on these warrants range from 3 to 5 percent.

In November 2010, the Commission issued General Obligation Warrants, Series 2010, in the amount of \$11,850,000 to provide a portion of the amount the County has agreed to contribute to the construction and development of a new hospital facility to be owned by the St. Clair County Health Care Authority. The interest rates on these warrants range from 2 to 4 percent. Pursuant a Development Agreement entered into by the County, St. Clair Health Care Authority, St. Vincent's Health System, St. Vincent's St. Clair, LLC and the City of Pell City, hospital lease revenues received by the Authority must be paid to the County to enable the County to make debt service on the Warrants.

In July 2011, the Commission issued General Obligation Warrants in the amount of \$4,000,000.00 for the purpose of financing the cost of acquiring certain public facilities. The interest rate on these warrants is 3.1 percent. In addition, the City of Pell City has agreed to pay to the County an amount equal to the lessor of (i) \$50,000 per year or (ii) one-half of the debt service of Warrants.

On September 30, 2015, the Commission issued General Obligation Warrants, Series 2015-A, in the amount of \$9,860,000 that were used to partially refund the General Obligation Warrants, Series 2008.

In July 2002, the East Central Alabama Industrial Development Authority issued bonds to provide funding for certain improvements to the Honda project site in Lincoln, Alabama. The Commission entered into a funding agreement with several other entities to provide a source of payment of the bonds at a 5 percent interest rate. This funding agreement was fully paid off on February 1, 2015.

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

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2015:

	Debt Outstanding 10/01/2014	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
2015 Warrants	\$	\$ 9,860,000.00	\$	\$ 9,860,000.00	\$
2011 Warrants	4,000,000.00			4,000,000.00	4,000,000.00
2010 Warrants	10,575,000.00		(440,000.00)	10,135,000.00	450,000.00
2008 Warrants	9,860,000.00		(9,655,000.00)	205,000.00	
2007 Warrants	4,420,000.00		(420,000.00)	4,000,000.00	435,000.00
2006 Warrants	1,665,000.00		(210,000.00)	1,455,000.00	220,000.00
Total GO Warrants	30,520,000.00	9,860,000.00	(10,725,000.00)	29,655,000.00	5,105,000.00
Gas Tax Warrants:					
2005 Gas Tax Warrants	1,680,000.00		(255,000.00)	1,425,000.00	265,000.00
Total Warrants Payable	32,200,000.00	9,860,000.00	(10,980,000.00)	31,080,000.00	5,370,000.00
Plus: Unamortized Premium	204,809.55	886,625.00	(13,596.96)	1,077,837.59	13,596.96
Less: Unamortized Discount	(11,725.26)		3,304.91	(8,420.35)	(1,837.16)
Total Warrants Payable, Net	32,393,084.29	10,746,625.00	(10,990,292.05)	32,149,417.24	5,381,759.80
Other Liabilities:					
Obligation Under					
Funding Agreement	138,610.66		(138,610.66)		
Estimated Liability for					
Compensated Absences	2,820,668.99		(32,418.19)	2,788,250.80	16,242.79
Net Pension Liability	9,805,257.00		(785,556.00)	9,019,701.00	
Estimated Liability for OPEB	3,186,832.24	333,917.76		3,520,750.00	
Total Other Liabilities	15,951,368.89	333,917.76	(956,584.85)	15,328,701.80	16,242.79
Total Long-Term Debt:	\$48,344,453.18	\$11,080,542.76	\$(11,946,876.90)	\$47,478,119.04	\$5,398,002.59

Payments on the General Obligation Warrants payable and the Funding Agreement are made by the General Fund and Debt Service Funds. The Gasoline Tax Anticipation Warrants are paid by RRR Gasoline Tax Fund. The Funding Agreement was paid off February 1, 2015.

The compensated absences liability will be liquidated by various governmental funds. The current compensated absences liability will be mainly liquidated by the General Fund.

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

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

Fiscal Year Ending	General Obligation Warrants Payable		Gasoline Tax Warrants Payable		Total Principal and Interest Requirements
	Principal	Interest	Principal	Interest	
September 30, 2016	\$ 5,105,000.00	\$1,006,494.00	\$ 265,000.00	\$ 49,912.50	\$ 6,426,406.50
2017	1,145,000.00	903,036.25	275,000.00	39,986.25	2,363,022.50
2018	1,340,000.00	861,142.50	285,000.00	29,415.00	2,515,557.50
2019	1,520,000.00	812,487.50	295,000.00	18,100.00	2,645,587.50
2020	1,575,000.00	759,375.00	305,000.00	6,100.00	2,645,475.00
2021-2025	9,350,000.00	2,843,321.25			12,193,321.25
2026-2030	8,060,000.00	1,015,300.00			9,075,300.00
2031-2032	1,560,000.00	94,200.00			1,654,200.00
Totals	<u>\$29,655,000.00</u>	<u>\$8,295,356.50</u>	<u>\$1,425,000.00</u>	<u>\$143,513.75</u>	<u>\$39,518,870.25</u>

Deferred Loss on Refunding, Discounts and Premiums

The Commission has discounts and deferred loss on refunding in connection with the issuance of its 2005 Gasoline Tax Anticipation Warrants which are being amortized using the straight-line method over a period of 14 years and nine months.

The Commission has premiums in connection with the issuance of its 2006 General Obligation Warrants which are being amortized using the straight-line method over a period of 15 years.

The Commission has premiums and deferred loss on refunding in connection with the issuance of its 2007-A General Obligation Refunding Warrants which are being amortized using the straight-line method over a period of 14 years and eight months.

The Commission has discounts in connection with the issuance of its 2008 General Obligation Warrants which are being amortized using the straight-line method over a period of 19 years.

The Commission has premiums in connection with the issuance of its 2010 General Obligation Warrants which are being amortized using the straight-line method over a period of 21 years.

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

The Commission has premiums and a deferred loss on refunding in connection with the issuance of its 2015-A General Obligation Warrants, which are being amortized using the straight-line method over a period of 12 years.

	Deferred Loss on Refunding	Discount	Premium
Total Deferred Loss on Refunding, Discount and Premium at October 1	\$ 238,936.24	\$ 29,216.20	\$ 267,791.80
Amount Amortized Prior Years	(158,806.69)	(17,490.94)	(62,982.25)
Balance, October 1, 2014	80,129.55	11,725.26	204,809.55
Current Year Refunding 2015A-2008 GO	963,977.75		886,625.00
Current Year Amortized	(10,939.93)	(3,304.91)	(13,596.96)
Balance Deferred Loss on Refunding, Discount and Premium at September 30	\$1,033,167.37	\$ 8,420.35	\$1,077,837.59

Pledged Revenues

The Commission issued Series 2005 Gasoline Tax Anticipation Refunding Warrants for the purpose of refunding the Series 1999 Gasoline Tax Anticipation Warrants and to obtain funds to be used for road resurfacing. The Commission pledged to repay the gasoline tax anticipation warrants from the County's portion of the proceeds of the four-cent gasoline tax levied by the State of Alabama. Future revenues of \$1,568,513.75 are pledged to repay the principal and interest on the warrants as of September 30, 2015. Proceeds of the four-cent gasoline tax in the amount of \$820,006.94 were received by the Commission during the fiscal year ended September 30, 2015, of which \$314,081.25 was used to pay principal and interest on the warrants. The Series 2005 Gasoline Tax Anticipation Refunding warrants will mature in fiscal year 2020.

Defeased Debt

On September 30, 2015, the Commission issued \$9,860,000 in General Obligation Warrants, Series 2015-A with an interest rate of 2.00% to 3.25% to advance refund \$9,625,000 of outstanding General Obligation Warrants, Series 2008. The net proceeds of \$10,587,509.62 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U. S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of General Obligation Warrants, Series 2008 that was advance refunded. As a result, this portion of General Obligation Warrants, Series 2008 are considered to be defeased and the liability for those warrants has been removed.

Notes to the Financial Statements

For the Year Ended September 30, 2015

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$963,977.75. This difference is being netted against the net debt and amortized over the remaining life of the new debt, which is shorter than the life of the old debt issued. As a result of the advanced refunding, the Board reduced its total debt service requirements by \$813,031.35, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$806,157.83.

Note 9 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission purchases commercial insurance for its other risks of loss, including buildings and contents insurance for all properties, employee dishonesty insurance, and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission is self-insured with regard to employee dental insurance. The Administrative Services Agreement between the Commission and Blue Cross and Blue Shield of Alabama requires the Commission to deposit a monthly fee to cover the costs of claims incurred during the previous month. The maximum employee benefit is \$1,200.00 per employee per calendar year. Employees are personally liable for any additional costs.

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

The schedule below presents the changes in claims liabilities for the current and previous two years for employee dental insurance:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2012-2013	\$12,166.00	\$145,397.01	\$145,687.01	\$11,876.00
2013-2014	\$11,876.00	\$156,771.11	\$155,891.11	\$12,756.00
2014-2015	\$12,756.00	\$162,598.06	\$161,766.06	\$13,588.00

Note 10 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2015, were as follows:

	Interfund Receivables		Total
	General Fund	Other Governmental Funds	
Interfund Payables:			
Other Governmental Funds	\$121,481.07	\$4,118.90	\$125,599.97
Total	<u>\$121,481.07</u>	<u>\$4,118.90</u>	<u>\$125,599.97</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2015, were as follows:

	Transfers Out General Fund
Transfers In:	
Gasoline Tax Fund	\$1,200,000.00
Other Governmental Funds	1,978,877.66
Totals	<u>\$3,178,877.66</u>

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

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the General Fund to the Debt Service Funds to service current-year debt requirements.

Note 11 – Related Organizations

A majority of the board members of the Cook Springs Water Authority; New London Water Sewer and Fire Protection Authority; Wolf Creek Water, Sewer and Fire Protection Authority; St. Clair County Library Board; St. Clair County Mental Retardation Development and Disabilities Board; St. Clair County Historical Development Commission; St. Clair County Department of Human Resources Board of Directors; St. Clair County Public Park and Recreation Board; St. Clair County Industrial Development Board; Pinedale Water, Sewer and Fire Protection Authority; St. Clair Airport Authority and the St. Clair County Health Care Authority are appointed by the St. Clair County Commission. The County, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for any of these agencies and the agencies are not considered part of the Commission's financial reporting entity. These agencies are considered related organizations of the County Commission.

Note 12 – Notes Receivable

The Commission has made loans to various governmental entities for the purposes of economic development, sewer/improvement projects, and other capital improvements. The majority of the loans are to be repaid after the sale of development property. The remaining loans are to be repaid over a three to ten year period. A total of \$5,625,327.35 was outstanding at September 30, 2015. Of this amount, \$28,678.78 is due and payable in the next year.

Note 13 – Subsequent Events

The Commission has completed the first phase of the addition/renovation at the Administrative building in Ashville. This included new offices for the Reappraisal and Commission offices. Phase II bids have just been submitted. Included in Phase II is expanding the commission chambers to seat a larger capacity, expanding the Probate Judge's office to the second floor as well as Probate Court allowing for more room. The current bids received for Phase II total \$316,100; however, no bid was submitted for electrical and roof repairs.

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

Note 14 – Restatements

In fiscal year 2015, the Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions***. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Commission's financial statements. For fiscal year 2015, the Commission made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position in governmental activities. The result is a decrease in net position at October 1, 2014, of \$8,780,631.

Governmental Activities Net Position, September 30, 2014, as Previously Reported	\$14,088,305.29
Net Pension Liability Due to Adoption of GASB 68	<u>(8,780,631.00)</u>
Governmental Activities Net Position, September 30, 2014, as Restated	<u>\$ 5,307,674.29</u>

Required Supplementary Information

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

	2015
<u>Total pension liability</u>	
Service cost	\$ 767,044.00
Interest	2,423,991.00
Benefit payments, including refunds of employee contributions	<u>(2,008,857.00)</u>
Net change in total pension liability	1,182,178.00
Total pension liability - beginning	<u>31,304,321.00</u>
Total pension liability - ending (a)	<u><u>\$ 32,486,499.00</u></u>
<u>Plan fiduciary net position</u>	
Contributions - employer	\$ 1,024,626.00
Contributions - employee	496,892.00
Net investment income	2,544,953.00
Benefit payments, including refunds of employee contributions	(2,008,857.00)
Other (Transfers among employers)	<u>(89,880.00)</u>
Net change in plan fiduciary net position	1,967,734.00
Plan fiduciary net positions - beginning	<u>21,499,064.00</u>
Plan fiduciary net positions - ending (b)	<u><u>\$ 23,466,798.00</u></u>
County's net pension liability - ending (a) - (b)	\$ 9,019,701.00
Plan fiduciary net position as a percentage of the total pension liability	72.24%
Covered-employee payroll	\$ 9,343,630.00
County's net pension liability as a percentage of covered-employee payroll	96.53%

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

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

	2015	2014
Actuarially determined contribution	\$ 1,098,840.31	\$ 1,024,626.00
Contributions in relation to the actuarially determined contribution	<u>\$ 1,098,840.31</u>	<u>\$ 1,024,626.00</u>
Contribution deficiency (excess)	\$	\$
Covered-employee payroll	\$ 9,895,952.75	\$ 9,343,630.00
Contributions as a percentage of covered-employee payroll	11.10%	10.97%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	23 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation

Note: 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, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 12,970,211.00	\$ 12,970,211.00	\$ 13,287,170.12
Licenses and Permits	131,255.00	131,255.00	140,295.83
Intergovernmental	457,957.00	458,057.00	503,372.93
Charges for Services	3,142,276.00	3,142,276.00	3,130,212.44
Miscellaneous	338,689.00	362,114.82	454,402.88
Total Revenues	17,040,388.00	17,063,913.82	17,515,454.20
Expenditures			
Current:			
General Government	5,747,910.09	6,052,751.25	5,655,049.44
Public Safety	9,710,442.02	9,967,344.54	9,612,387.07
Highways and Roads			
Sanitation	849,895.80	849,895.80	887,577.72
Health	267,175.86	317,205.86	291,487.75
Welfare	76,661.00	76,661.00	75,661.00
Culture and Recreation	171,649.63	173,214.63	172,297.97
Education	269,000.00	339,000.00	218,406.59
Capital Outlay	173,000.00	1,483,935.18	1,055,757.02
Debt Service:			
Interest and Fiscal Charges	2,000.00	2,000.00	2,002.19
Intergovernmental	47,912.90	176,148.90	159,647.01
Total Expenditures	17,315,647.30	19,438,157.16	18,130,273.76
Excess (Deficiency) of Revenues Over Expenditures	(275,259.30)	(2,374,243.34)	(614,819.56)
Other Financing Sources (Uses)			
Transfers In	1,177,091.22	1,177,183.72	1,064,487.87
Other Financing Sources			15,000.00
Sale of Capital Assets			3,660.00
Transfers Out	(1,541,967.87)	(1,614,164.23)	(1,544,791.49)
Total Other Financing Sources (Uses)	(364,876.65)	(436,980.51)	(461,643.62)
Net Change in Fund Balances	(640,135.95)	(2,811,223.85)	(1,076,463.18)
Fund Balances - Beginning of Year	5,660,273.54	5,660,273.54	5,660,273.54
Fund Balances - End of Year	\$ 5,020,137.59	\$ 2,849,049.69	\$ 4,583,810.36

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1) (2) \$	2,443,641.27	\$ 15,730,811.39
		140,295.83
(2)	24,907.50	528,280.43
		3,130,212.44
(2)	3,464.67	457,867.55
	<u>2,472,013.44</u>	<u>19,987,467.64</u>
(5)	114,749.00	5,540,300.44
(5)	801,587.00	8,810,800.07
(3)	(705,855.26)	705,855.26
		887,577.72
		291,487.75
		75,661.00
		172,297.97
		218,406.59
(3)	(749,622.23)	1,805,379.25
		2,002.19
(3)		159,647.01
	<u>(539,141.49)</u>	<u>18,669,415.25</u>
	<u>1,932,871.95</u>	<u>1,318,052.39</u>
(5)	(1,064,487.87)	15,000.00
(4)	430,025.00	433,685.00
(4) (5)	(1,634,086.17)	(3,178,877.66)
	<u>(2,268,549.04)</u>	<u>(2,730,192.66)</u>
	(335,677.09)	(1,412,140.27)
(6)	<u>1,356,664.55</u>	<u>7,016,938.09</u>
	<u>\$ 1,020,987.46</u>	<u>\$ 5,604,797.82</u>

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

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

The Commission budgets on the modified accrual basis of accounting except as shown below:

- (1) The Commission recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned.

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

(2) Revenues

- Public Building Roads and Bridges Fund - Taxes
- Public Building Roads and Bridges Fund - Motor Vehicle ad valorem taxes
- Public Building Roads and Bridges Fund - Intergovernmental
- Public Building Roads and Bridges Fund - Miscellaneous

(3) Expenditures

- Public Building Roads and Bridges Fund - Highways and Roads
- Public Building Roads and Bridges Fund - Capital Outlay

(4) Other Financing Sources/(Uses), Net

- Public Buildings, Roads and Bridges Fund - Sale of Capital Assets
- Public Buildings, Roads and Bridges Fund - Transfers Out

(5) The Commission does not budget for interfund eliminations that are required for reporting purposes.

- General Government Expenditures
- Public Safety Expenditures
- Transfers In
- Transfers Out

Net Decrease in Fund Balance - Budget to GAAP

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

\$ (13,418.42)

2,463,612.37
(6,552.68)
24,907.50
3,464.67

(705,855.26)
(749,622.23)

430,025.00
(1,782,238.04)

114,749.00
801,587.00
(1,064,487.87)
148,151.87

\$ (335,677.09)

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Intergovernmental	\$ 1,469,410.00	\$ 1,469,410.00	\$ 1,669,906.73
Charges for Services	15,500.00	15,500.00	142,488.55
Miscellaneous	512,681.00	512,681.00	474,036.29
Total Revenues	<u>1,997,591.00</u>	<u>1,997,591.00</u>	<u>2,286,431.57</u>
Expenditures			
Current:			
Highways and Roads	4,338,826.55	4,250,631.29	3,856,250.14
Capital Outlay	99,800.00	197,949.00	194,684.65
Total Expenditures	<u>4,438,626.55</u>	<u>4,448,580.29</u>	<u>4,050,934.79</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,441,035.55)</u>	<u>(2,450,989.29)</u>	<u>(1,764,503.22)</u>
Other Financing Sources (Uses)			
Transfers In	2,441,165.00	2,441,165.00	1,560,900.00
Sale of Capital Assets			36,520.00
Total Other Financing Sources (Uses)	<u>2,441,165.00</u>	<u>2,441,165.00</u>	<u>1,597,420.00</u>
Net Change in Fund Balances	129.45	(9,824.29)	(167,083.22)
Fund Balances - Beginning of Year	<u>470,521.63</u>	<u>470,521.63</u>	<u>470,521.63</u>
Fund Balances - End of Year	<u>\$ 470,651.08</u>	<u>\$ 460,697.34</u>	<u>\$ 303,438.41</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 4,475,950.66	\$ 6,145,857.39
		142,488.55
(1)	87.09	474,123.38
	<u>4,476,037.75</u>	<u>6,762,469.32</u>
(2)	(4,147,120.00)	8,003,370.14
		194,684.65
	<u>(4,147,120.00)</u>	<u>8,198,054.79</u>
	<u>328,917.75</u>	<u>(1,435,585.47)</u>
(3)	(360,900.00)	1,200,000.00
		36,520.00
	<u>(360,900.00)</u>	<u>1,236,520.00</u>
	(31,982.25)	(199,065.47)
(4)	<u>71,823.22</u>	<u>542,344.85</u>
	<u>\$ 39,840.97</u>	<u>\$ 343,279.38</u>

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

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

The Commission budgets on the modified accrual basis of accounting except as shown below:

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

(1) Revenues		
Gasoline Tax Fund - ATRIP	\$	4,147,120.00
Public Highway and Traffic - Intergovernmental		299,314.63
Public Highway and Traffic - Miscellaneous		61.26
Severed Material Tax - Intergovernmental		29,516.03
Severed Material Tax - Miscellaneous		<u>25.83</u>
(2) Expenditures		
Gasoline Tax Fund - ATRIP		<u>(4,147,120.00)</u>
(3) Other Financing Sources, Net		
Public Highway and Traffic		(310,900.00)
Severed Material Tax	\$	<u>(50,000.00)</u>

Net Decrease in Fund Balance - Budget to GAAP

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

\$ 4,476,037.75

(4,147,120.00)

(360,900.00)

\$ (31,982.25)

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

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 1,448,801.78	\$ 1,448,801.78	\$ 1,318,257.68
Charges for Services	500.00	500.00	383.55
Miscellaneous	4,100.00	4,100.00	3,566.77
Total Revenues	<u>1,453,401.78</u>	<u>1,453,401.78</u>	<u>1,322,208.00</u>
Expenditures			
Current:			
General Government	1,436,801.78	1,424,595.78	1,293,402.00
Capital Outlay	16,600.00	28,806.00	28,806.00
Total Expenditures	<u>1,453,401.78</u>	<u>1,453,401.78</u>	<u>1,322,208.00</u>
Fund Balances - Beginning of Year			
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,318,257.68
	383.55
	3,566.77
	<u>1,322,208.00</u>
	1,293,402.00
	28,806.00
	<u>1,322,208.00</u>
<u>\$</u>	<u>\$</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2014	\$0	\$6,937,952	\$6,937,952	0%	\$9,156,721	75.77%
09/30/2012	\$0	\$8,665,796	\$8,665,796	0%	\$8,207,196	105.59%
09/30/2010	\$0	\$8,131,304	\$8,131,304	0%	\$8,214,746	98.98%

Additional Information

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

Commission Members

Term Expires

Hon. Stanley D. Batemon	Chairman	November 11, 2014
Hon. Paul Manning	Chairman	2018
Hon. Jeff Brown	Member	2018
Hon. Kenneth L. Crowe	Member	2016
Hon. James S. (Jimmy) Roberts	Member	2016
Hon. Tommy Bowers	Member	2016

Administrative Personnel

Ms. Kellie L. Graff Administrator/Treasurer

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

Independent Auditor's Report

To: Members of the St. Clair County Commission and County Administrator

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clair County Commission as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the St. Clair County Commission's basic financial statements and have issued our report thereon dated October 13, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

October 13, 2016