

**Southeast Alabama Regional Planning
and Development Commission
Financial Statements and
Supplementary Information**

September 30, 2016

**Southeast Alabama Regional Planning
and Development Commission**

Table of Contents

Independent Auditors' Report	1
Management's Discussion and Analysis	4
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Governmental Fund Financial Statements	
Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Notes to the Financial Statements	19
Budgetary Comparison Schedule	
All Governmental Funds	35
Supplementary Information	
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards	36
Schedule of Expenditures of Federal Awards	37
Notes to the Schedule of Expenditures of Federal Awards	39
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	40
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Required by the Uniform Guidance	42
Schedule of Findings and Questioned Costs	44
Required Supplementary Information	
Schedule of Changes in the Pension Liability	45
Schedule of Employer Contributions	46



**Ferguson, Sizemore
& Associates**

CERTIFIED PUBLIC ACCOUNTANTS

1467 Honeysuckle Road
Dothan, AL 36305
Phone: 334.792.1180
Fax: 334.794.3380
www.fsacpa.com

Independent Auditors' Report

To the Board of Directors of the
Southeast Alabama Regional Planning and Development Commission
Dothan, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Southeast Alabama Regional Planning and Development Commission (the "Commission"), a component unit of the State of Alabama, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southeast Alabama Regional Planning and Development Commission, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 34 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.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, on our consideration of the Commission's internal control over financial reporting and on 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 of 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 Commission's internal control over financial reporting and compliance.



Ferguson Sizemore & Associates
Dothan, Alabama
May 31, 2017

Management's Discussion and Analysis

The Southeast Alabama Regional Planning and Development Commission's (the "Commission") discussion and analysis is a narrative overview designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activity, (c) identify changes in the Commission's financial position (revealing the ability to address future challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the Commission for the fiscal year ended September 30, 2016. Please consider the information in this MD&A in conjunction with the Commission's financial statements.

Financial Highlights

The Commission continued its work to improving the quality of life within the seven county regional community.

The Commission's continues to work hard every day in order to provide beneficial services through the various programs the Commission administers on behalf of the regional counties of Barbour, Coffee, Covington, Dale, Geneva, Henry and Houston. The Commission's services include the following:

- Early childhood education services provided through federally funded Head Start & Early Head Start Programs. These programs provide services to eligible low income children and their families.

- Community and economic development assistance to regional local governments with various types of planning, technical assistance and grants in order to improve essential services those governments provide to citizens, providing loans to regional small businesses that help to retain and create jobs, helping eligible seniors gain employment skill and provide community service through the Senior Community Service Employment Program, and public transportation services offered by the Wiregrass Transit Authority to those who need transportation to access a job, healthcare and other vital destinations.

One of the Commission's continued areas of focus this past year has been on the continued safety and financial security of the Commission's financial assets. The Commission takes this as a serious responsibility and maintains this as a main focus of the Commission's accounting operations.

Uncertainty as to the continued funding of some of the Commission's programs continues to be of concern. Recently, the President's federal budget request has called for the elimination of the Community Development Block Grant (CDBG) program; the Economic Development Administration (EDA) and the Senior Community Service Employment Program (SCSEP). Elimination of these programs would be devastating to the Commission. The Commission is hopeful that the United States Congress will retain funding for these important programs that have for decades provided essential funds to assist development projects and create jobs within the region.

We are fortunate to continue having a stable, professionally trained and experienced staff of dedicated employees working at the Commission. Again as in past years, the Commission's employees have not had merit raises due to limited increases in funding.

The Commission has many employees who have been with the Commission for over fifteen years and some over twenty years. The Commission's employees are the backbone of the Commission and are the reason for any success the Commission has. Unfortunately, a time comes when the Commission loses employees and certain personnel changes due to retirements have taken place during the past year. Those retiring include Mark Williams, Fiscal Director, who is retiring on June 15, 2017. Mark has worked at the Commission for the past twenty years coming up in the accounting department to assume the Fiscal Director's position last year. The Fiscal Director oversees all of the program financial transactions within the agency is a vital position to ensure compliance with all program regulations and legal requirements are met.

The Commission is happy to report that Natalie Cook, Senior Accountant, will be assuming the position of Fiscal Director upon Mark's retirement. Natalie has worked at the Commission for over sixteen years and is fully capable of handling this new responsibility and the Commission is confident that she will do an excellent job.

Ron Holliman, Head Start Program Director, retired at the end of 2016 after working twenty-two years in the Head Start Program. Martha Lisenby, Interim Head Start Director has done an excellent job directing this program since Mr. Holliman's retirement. It should be noted the Commission hired a new Head Start Director in May that will be beginning work on June 19th. Mr. Searcey Rushing has prior Head Start experience and the Commission looks forward to working with Mr. Rushing in an effort to keep the Head Start program moving forward under newly revised federal performance standards.

Richard DeVore, our Title V Department Director retired in April after serving with the Commission for over ten years. The Commission was fortunate that Gail Clark, who worked in this department, has been promoted to the Director's position. Gail is working hard and doing a good job in her new position.

Also, Darrell Rigsby was promoted from the Community Development Department to Wiregrass Transit Authority Director after the retirement of John Sorrell. Darrell has embraced this job and is doing very well directing the transit operations at WTA.

The Commission wishes all of these retiring employees from the Commission the best in their retirements and thank them for many years of service to the Commission. The Commission will miss them.

As Executive Director, I could not close these comments without stating how fortunate the Commission is to have a dedicated and supportive board of directors who volunteer their time and input overseeing and guiding the operations and decisions for the betterment of the agency. The Commission's board of directors are a talented blend of regional elected officials and community leaders with much insight into the needs of the regional community. The board of directors give of their time and expertise unselfishly with a servant's heart to improve the regional area. Without the board of directors, the Commission could not operate and function. The Commission depends on them to guide the Commission in making important policy and administrative decisions in order to comply with complicated federal and state programmatic regulations that continue to require more and more board governance and oversight. This dynamic makes it even more important that our

board members realize their importance to the Commission relative to the successful operation of the Commission.

In closing we, as employees of the Commission, continue to be mindful of our responsibility to be good stewards of public funds and continue daily to pursue our agency mission statement “*...to improve the quality of life for the residents of the Southeast Alabama regional community*”.

Thomas B. Solomon
Executive Director

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission’s basic financial statements. The Commission’s basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the Commission’s finances, in a manner to resemble private-sector business.

The statement of net position presents information on all of the Commission’s assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information focused on both gross and net costs and shows how the Commission’s net position changed during the most recent fiscal year. This is intended to summarize and simplify the user’s analysis of cost of various governmental services. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Commission that are principally supported by grants and intergovernmental revenues (governmental activities) from other functions that are intended to typically recover all or a significant portion of the cost of operation, including depreciation, through user fees and charges for services. The governmental activities of the Commission include general government, direct, indirect, and in-kind activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. This focus is on major funds, rather than (the previous model’s statements prior to implementation of GASB 34 in fiscal year 2004) fund types. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types.

The fund financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental major fund is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows, and balances of spendable resources.

The Commission maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund (which is considered to be a major fund) and the special revenue funds.

The Commission adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general and special revenue funds to demonstrate compliance with the budget.

Proprietary Funds. The Commission does not have a proprietary fund.

Notes to the Financial Statements. The notes provided in this report convey additional essential information that will magnify the understanding of data in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The Commission's net position decreased by \$237,930 as a result of current year operations. A restatement of beginning equity due to the recognition of a vehicle having been purchased in a previous year. Management will continue to monitor net position because the variance is a useful indicator of the Commission's financial position.

The following table reflects the condensed Statement of Net Position compared to prior year.

	Governmental Activities	
	2016	2015
Current assets	\$ 7,439,982	\$ 7,361,577
Capital assets	447,720	554,361
Total assets	<u>\$ 7,887,702</u>	<u>\$ 7,915,938</u>
Current liabilities	\$ 601,846	\$ 578,410
Long-term liabilities	1,063,061	905,672
Total liabilities	<u>1,664,907</u>	<u>1,484,082</u>
Net Position		
Net investment in capital assets	447,720	554,361
Restricted	5,924,481	6,126,842
Unrestricted	(149,406)	(249,347)
Total net position	<u>\$ 6,222,795</u>	<u>\$ 6,431,856</u>

A large portion of the Commission's net position (7%) reflects capital assets. *Unrestricted net position* may be used to meet the Commission's ongoing obligations to citizens and creditors.

Normal Impacts Affecting the Statement of Net Position

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the net investment in capital assets.

Spending of Non-Borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net position and increase net investment in capital assets.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase net investment in capital assets.

Reduction of Capital Assets Through Depreciation – which will reduce capital assets and net investment in capital assets.

At the end of the current fiscal year, the Commission was able to report positive balances in net position. The same situation held true for the prior fiscal year.

The government's net position decreased by \$237,930 during the current fiscal year. This decrease was primarily due to depreciation.

While the results of operations are a significant measure of the Commission's activities, the explanation of changes in unrestricted net position provides a clear measure of change in the Commission's financial position.

Statement of Activities

The following schedule compares the revenues and expenses for the current and previous year.

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 885,978	\$ 915,843
Operating grants	4,762,292	5,326,449
General revenues:		
Miscellaneous revenue	154,160	158,731
In-kind	803,654	828,469
Total revenues	<u>6,606,084</u>	<u>7,229,492</u>
Expenses		
General government	112,116	33,657
Program/grant-direct	5,442,066	5,741,724
Program/grant-indirect	278,531	285,595
Program/grant-in-kind	803,654	828,469
Interest and fiscal charges	5,614	6,026
Depreciation	183,116	217,681
Bad debt	18,917	52,491
Total expenses	<u>6,844,014</u>	<u>7,165,643</u>
Net change	<u>\$ (237,930)</u>	<u>\$ 63,849</u>

At the end of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of \$6,039,040, a decrease of \$514,553 from the prior year. Of this total fund balance, \$30,823 constitutes the surplus in the *unassigned fund balance*.

The general fund is the chief operating fund of the Commission. At the end of the current fiscal year, unassigned fund balance of the general fund was a surplus of \$25,738, while total fund balance was \$105,747. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. This is very useful in assessing the Commission's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of an entity's net resources available for spending at the end of the fiscal year. Unassigned fund balance represents 3% of total general fund expenditures, whereas total general fund balance represents 119% of total general fund expenditures.

The unassigned fund balance of the Commission's general fund decreased by \$367,415 during the current fiscal year.

Budgetary Highlights

Budgeted expenditures are based on the estimated revenue receipts as estimated by the Fiscal Director and the Board of Directors. Original expenditures are budgeted to equal total expected resources available. No variances between the original and final budget or between final and actual budget are expected to significantly affect future services or liquidity. For additional information on the budget variances, refer to the budgetary comparison schedule for the General Fund following the notes to the financial statements.

Capital Assets and Debt Administration

Capital Assets. The Commission's investment in capital assets as of September 30, 2016 amounted to \$447,720 (net of accumulated depreciation). This investment in capital assets includes motor vehicles, office equipment, and classrooms. The total decrease in the Commission's net investment in capital assets for the current fiscal year was \$106,641, which was primarily due to depreciation.

Debt Outstanding

As of the fiscal year end, the Commission had \$652,311 in outstanding debt compared to \$695,664 last fiscal year end. The total debt decreased by \$43,353 during the current fiscal year.

	Governmental Activities Total Primary Activities	
	2016	2015
IRP loan	\$ 271,100	\$ 289,430
IRP loan	193,664	216,965
IRP loan	55,000	55,000
Compensated absences	132,547	134,269
	<u>\$ 652,311</u>	<u>\$ 695,664</u>

Economic Factors

The Commission relies on federal, state, and local grants and in-kind revenues for its governmental activities. The primary source of revenue is federal grants.

The level of grants has a direct bearing on the Commission's ability to (a) provide program loans to citizens and (b) encourage development to be chosen to be located in the Commission's jurisdiction. The Commission places significant emphasis on encouraging both funding and economic development.

Financial Information Contact

The Commission's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have questions about the report or need additional financial information, contact the Commission's Executive or Fiscal Directors at P. O. Box 1406, Dothan, Alabama 36302.

Southeast Alabama Regional Planning and Development Commission
Statement of Net Position
September 30, 2016

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 3,343,102
Accounts receivable	436,633
Program loans receivable	2,941,309
Interfund receivables	235,868
Indirect cost carryforward	61,833
Prepaid insurance	80,009
Capital Assets	
Motor vehicles	1,604,086
Classrooms	211,800
Office equipment	304,224
Accumulated depreciation	(1,672,390)
Total Capital Assets	447,720
Total Assets	7,546,474
Deferred Outflows of Resources	
Difference between projected and actual earnings	341,228
Total Assets and Deffered Outflows of Resources	7,887,702
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	228,046
Interfund payables	235,869
Long-Term Liabilities	
Portion due or payable within one year	
Compensated absences	95,884
Notes payable	42,047
Portion due or payable after one year	
Compensated absences	36,663
Net pension liability	499,915
Notes payable	477,717
Total Liabilities	1,616,141
Deferred Inflows of Resources	
Contributions - employer's	48,766
Net Position	
Net investment in capital assets	447,720
Reserve for trust fund requirements	29,770
Restricted	5,894,711
Unrestricted	(149,406)
Total Net Position	\$ 6,222,795

See accompanying notes and independent auditors' report.

Southeast Alabama Regional Planning and Development Commission
Statement of Activities
For the Year Ended September 30, 2016

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position Governmental Activities
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental:					
General government	\$ 112,116	\$ -	\$ -	\$ -	\$ (112,116)
Program/grant - direct	5,442,066	885,978	4,762,292	-	206,204
Program/grant - indirect	278,531	-	-	-	(278,531)
Program/grant - in-kind	803,654	803,654	-	-	-
Depreciation	183,116	-	-	-	(183,116)
Bad debt	18,917	-	-	-	(18,917)
Interest and fiscal charges	5,614	-	-	-	(5,614)
Total Governmental Activities	<u>\$ 6,844,014</u>	<u>\$ 1,689,632</u>	<u>\$ 4,762,292</u>	<u>\$ -</u>	<u>(392,090)</u>
General revenues:					
Miscellaneous					6,742
Interest					147,418
Total General Revenues					<u>154,160</u>
Change in Net Position					(237,930)
Net Position - Beginning - Restated					<u>6,460,725</u>
Net Position - Ending					<u>\$ 6,222,795</u>

See accompanying notes and independent auditors' report.

Southeast Alabama Regional Planning and Development Commission
Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Head Start Fund	Third IRP Fund	Senior Aides Fund	State Two Fund	Transportation Fund	Revolving Loan Fund
Assets							
Cash	\$ 203,953	\$ 100	\$ -	\$ 95,337	\$ 986,874	\$ 273,544	\$ 193,764
Accounts receivable	108,543	78,126	-	-	-	244,879	4,102
Program loans receivable	-	-	-	-	-	-	1,376,165
Interfund receivables	235,868	-	-	-	-	-	-
Indirect cost carryforward	61,833	-	-	-	-	-	-
Prepaid expenses	80,009	-	-	-	-	-	-
Total Assets	<u>\$ 690,206</u>	<u>\$ 78,226</u>	<u>\$ -</u>	<u>\$ 95,337</u>	<u>\$ 986,874</u>	<u>\$ 518,423</u>	<u>\$ 1,574,031</u>
Liabilities							
Accounts payable and accrued expenses	\$ 35,832	\$ 33,473	\$ -	\$ 152	\$ -	\$ 158,512	\$ 77
Interfund payables	-	177,336	-	27,635	-	5,447	687
Net pension liability	499,915	-	-	-	-	-	-
Compensated absences	48,712	29,350	-	9,300	-	8,183	-
Total Liabilities	<u>584,459</u>	<u>240,159</u>	<u>-</u>	<u>37,087</u>	<u>-</u>	<u>172,142</u>	<u>764</u>
Fund Balances							
Non-spendable	80,009	-	-	-	-	-	1,376,165
Restricted	-	(161,933)	-	58,250	-	-	193,000
Committed	-	-	-	-	986,874	346,281	-
Assigned	-	-	-	-	-	-	-
Unassigned	25,738	-	-	-	-	-	4,102
Total Fund Balances	<u>105,747</u>	<u>(161,933)</u>	<u>-</u>	<u>58,250</u>	<u>986,874</u>	<u>346,281</u>	<u>1,573,267</u>
Total Liabilities and Fund Balances	<u>\$ 690,206</u>	<u>\$ 78,226</u>	<u>\$ -</u>	<u>\$ 95,337</u>	<u>\$ 986,874</u>	<u>\$ 518,423</u>	<u>\$ 1,574,031</u>

See accompanying notes and independent auditors' report.

Southeast Alabama Regional Planning and Development Commission
Balance Sheet
Governmental Funds
September 30, 2016

	IRP Fund	Second IRP Fund	State Bond Fund	Microloan Fund	Dothan Houston County Microloan Fund	SEACED Fund	Governmental Funds Total
Assets							
Cash	\$ 466,007	\$ 221,842	\$ 456,431	\$ 286,994	\$ 127,929	\$ 30,327	\$ 3,343,102
Accounts receivable	-	-	983	-	-	-	436,633
Program loans receivable	229,882	296,241	865,019	23,110	150,892	-	2,941,309
Interfund receivables	-	-	-	-	-	-	235,868
Indirect cost carryforward	-	-	-	-	-	-	61,833
Prepaid expenses	-	-	-	-	-	-	80,009
Total Assets	\$ 695,889	\$ 518,083	\$ 1,322,433	\$ 310,104	\$ 278,821	\$ 30,327	\$ 7,098,754
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 228,046
Interfund payables	92	-	22,500	1	1,614	557	235,869
Net pension liability	-	-	-	-	-	-	499,915
Compensated absences	-	-	322	-	17	-	95,884
Total Liabilities	92	-	22,822	1	1,631	557	1,059,714
Fund Balances							
Non-spendable	229,882	296,241	865,019	23,110	150,892	-	3,021,318
Restricted	465,915	221,842	433,609	286,993	126,298	-	1,623,974
Committed	-	-	-	-	-	-	1,333,155
Assigned	-	-	-	-	-	29,770	29,770
Unassigned	-	-	983	-	-	-	30,823
Total Fund Balances	695,797	518,083	1,299,611	310,103	277,190	29,770	6,039,040
Total Liabilities and Fund Balances	\$ 695,889	\$ 518,083	\$ 1,322,433	\$ 310,104	\$ 278,821	\$ 30,327	\$ 7,098,754

See accompanying notes and independent auditors' report.

Southeast Alabama Regional Planning and Development Commission
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Position
September 30, 2016

Total Fund Balances for Governmental Funds		\$ 6,039,040
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Motor vehicles	\$ 1,604,086	
Classrooms	211,800	
Office equipment	304,224	
Accumulated depreciation	<u>(1,672,390)</u>	447,720
Deferred outflows of resources		341,228
Deferred inflows of resources		(48,766)
<p>Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances as of year end are:</p>		
Compensated absences (long-term portion only)	(36,663)	
Notes payable	<u>(519,764)</u>	<u>(556,427)</u>
Total Net Position of Governmental Activities		<u><u>\$ 6,222,795</u></u>

See accompanying notes and independent auditors' report.

Southeast Alabama Regional Planning and Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

	General Fund	Head Start Fund	Third IRP Fund	Senior Aides Fund	State Two Fund	Transportation Fund	Revolving Loan Fund
Revenues							
Federal	\$ 65,688	\$ 2,491,185	\$ -	\$ 538,488	\$ -	\$ 1,544,140	\$ -
State	122,791	-	-	-	-	-	-
Local	362,840	-	-	68,775	-	449,913	-
Interest	-	-	-	-	2,911	-	63,810
In-kind	-	767,172	-	22,118	-	14,364	-
Miscellaneous	-	-	-	-	-	6,461	150
	<u>551,319</u>	<u>3,258,357</u>	<u>-</u>	<u>629,381</u>	<u>2,911</u>	<u>2,014,878</u>	<u>63,960</u>
Expenditures							
Current:							
General government	549,051	-	-	-	-	-	-
Direct	247,453	2,653,531	-	607,451	1,114	1,808,556	21,099
Indirect	94,313	119,880	-	27,805	333	19,953	5,787
In-kind	-	767,172	-	22,118	-	14,364	-
Debt service:							
Principal payments	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	550	-	-	-	-
Capital outlay	-	5,039	-	-	-	42,245	-
Bad debt	-	-	-	-	-	-	-
	<u>890,817</u>	<u>3,545,622</u>	<u>550</u>	<u>657,374</u>	<u>1,447</u>	<u>1,885,118</u>	<u>26,886</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(339,498)</u>	<u>(287,265)</u>	<u>(550)</u>	<u>(27,993)</u>	<u>1,464</u>	<u>129,760</u>	<u>37,074</u>
Other Financing Sources (Uses)							
Transfers in	22,688	104,934	550	6,984	1,447	-	287
Transfers out	(7,181)	(98,080)	-	(24,830)	-	(7,104)	-
Total Other Financing Sources (Uses)	<u>15,507</u>	<u>6,854</u>	<u>550</u>	<u>(17,846)</u>	<u>1,447</u>	<u>(7,104)</u>	<u>287</u>
Net Change in Fund Balances	<u>(323,991)</u>	<u>(280,411)</u>	<u>-</u>	<u>(45,839)</u>	<u>2,911</u>	<u>122,656</u>	<u>37,361</u>
Fund Balances - Beginning of Year	429,738	118,478	-	104,089	983,963	223,625	1,535,906
Fund Balances - End of Year	<u>\$ 105,747</u>	<u>\$ (161,933)</u>	<u>\$ -</u>	<u>\$ 58,250</u>	<u>\$ 986,874</u>	<u>\$ 346,281</u>	<u>\$ 1,573,267</u>

See accompanying notes and independent auditors' report.

Southeast Alabama Regional Planning and Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

	IRP Fund	Second IRP Fund	State Bond Fund	Microloan Fund	Dothan Houston County Microloan Fund	SEACED Fund	Governmental Funds Total
Revenues							
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,639,501
State	-	-	-	-	-	-	122,791
Local	-	-	-	-	2,500	1,950	885,978
Interest	12,228	13,021	43,726	1,561	10,161	-	147,418
In-kind	-	-	-	-	-	-	803,654
Miscellaneous	-	-	-	-	131	-	6,742
	<u>12,228</u>	<u>13,021</u>	<u>43,726</u>	<u>1,561</u>	<u>12,792</u>	<u>1,950</u>	<u>6,606,084</u>
Expenditures							
Current:							
General government	-	-	-	-	-	-	549,051
Direct	539	391	34,498	394	-	929	5,375,955
Indirect	40	-	10,034	-	258	128	278,531
In-kind	-	-	-	-	-	-	803,654
Debt service:							
Principal payments	23,300	18,331	-	-	-	-	41,631
Interest and fiscal charges	2,170	2,894	-	-	-	-	5,614
Capital outlay	-	-	-	-	-	-	47,284
Bad debt	-	-	-	-	18,917	-	18,917
	<u>26,049</u>	<u>21,616</u>	<u>44,532</u>	<u>394</u>	<u>19,175</u>	<u>1,057</u>	<u>7,120,637</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,821)</u>	<u>(8,595)</u>	<u>(806)</u>	<u>1,167</u>	<u>(6,383)</u>	<u>893</u>	<u>(514,553)</u>
Other Financing Sources (Uses)							
Transfers in	-	-	852	2	53	500	138,297
Transfers out	(2)	(1,100)	-	-	-	-	(138,297)
Total Other Financing Sources (Uses)	<u>(2)</u>	<u>(1,100)</u>	<u>852</u>	<u>2</u>	<u>53</u>	<u>500</u>	<u>-</u>
Net Change in Fund Balances	(13,823)	(9,695)	46	1,169	(6,330)	1,393	(514,553)
Fund Balances - Beginning of Year	709,620	527,778	1,299,565	308,934	283,520	28,377	6,553,593
Fund Balances - End of Year	<u>\$ 695,797</u>	<u>\$ 518,083</u>	<u>\$ 1,299,611</u>	<u>\$ 310,103</u>	<u>\$ 277,190</u>	<u>\$ 29,770</u>	<u>\$ 6,039,040</u>

See accompanying notes and independent auditors' report.

**Southeast Alabama Regional Planning and Development Commission
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities**

For the Year Ended September 30, 2016

Net Changes in Fund Balances - Total Governmental Funds \$ (514,553)

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

These differences are reflected as follows:

Capital outlay	47,284
Depreciation	(183,116)

Net changes in deferred inflows and outflows of resources 370,824

Repayment of long-term debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net position, and loan proceeds are recorded as revenue in the governmental funds but increases the liability in the statement of net position, as reflected as follows:

Principal paid	41,631
Change in Net Position of Governmental Activities	<u>\$ (237,930)</u>

See accompanying notes and independent auditors' report.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Note A – Summary of Significant Accounting Policies

The Southeast Alabama Regional Planning and Development Commission (the “Commission”) was established on June 25, 1969, under the provisions of Act Number 1126, Acts of Alabama 1969, (S. 378), Regular Session, Regular Session, Acts of Alabama Legislature 1970, ratified and confirmed by Act Number 85-757, Acts of Alabama, page 1260. The geographic district of the Commission encompasses the counties of Barbour, Coffee, Covington, Dale, Geneva, Henry, and Houston.

Statement Number 14 of the Governmental Accounting Standards Board establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency’s governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

The Commission is a legally separate agency of the State of Alabama.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Financial Reporting Entity – Basis of Presentation

The accompanying financial statements present the activities of the Commission.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the Commission). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, generally, are financed through federal, state, and local grants.

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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs 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 interest and miscellaneous, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission’s funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

The Commission reports the following major governmental funds:

General Fund: This is the Commission's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds: Funds which are to account for legally restricted funds of the Commission include:

Head Start – This fund is used to account for expenditures to provide comprehensive health, educational, nutritional, social, and other services to economically disadvantaged school children.

Senior Aides – This fund is used to account for expenditures of federal monies restricted to promote work opportunities in community service activities for low income persons who are 55 years of age or older.

Transportation – This fund is used to account for expenditures of federal, state, and local monies of a public transportation project in the Dothan-Houston County urbanized and non-urbanized area.

Revolving Loan Program - This fund is used to account for expenditures of federal and local monies restricted to conditions of EDA Economic Adjustment Assistance grants funded under Title IX of the Public Works and Economic Development Act of 1965, as it applies to Revolving Loan Grants.

Intermediary Relending Program (I, II and III) - These funds are used to account for expenditures of federal and local monies related to loan agreements with the Farmers Home Administration restricted to the Intermediary Relending Program from the Rural Business-Cooperative Services.

State Bond (I and II) – These funds are used to account for funds received from the State of Alabama and used in the same manner as the Commission's Revolving Loan Program.

Microloan Program – This fund is used to account for the transactions associated with two Rural Business Enterprise Grants (RBEG) which capitalized the microloan funds from the United States Department of Agriculture.

Dothan/Houston County Microloan Program - This fund is used to account for the transactions associated with the locally capitalized microloan funds eligible within the Dothan Commission and Houston County limits.

SEACED – This fund is used to account for the proceeds from membership dues of the Southeast Alabama Council for Economic Development and disbursed at the discretion of the Council's Executive Committee.

Measurement Focus, Basis of Accounting & Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include donations.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Revenue from donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Interest is considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

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 resources available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental activities of the Commission follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

The Commission considers cash and cash equivalents to be cash on hand, cash in banks, and certificates of deposit having original maturities of three months or less.

Receivables

All receivables are considered to be fully collectible by management. Therefore, no allowance for uncollectible accounts is considered necessary.

Capital Assets and Depreciation

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Motor vehicles	4 - 10
Classrooms	50
Office furniture and equipment	10

Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave. Regular full-time employees earn 3.33 hours of paid vacation leave for each month employed, for a total of 40 hours per year (5 days) for their first year of employment. Second-year employees will

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

accrue 6.66 hours of paid vacation leave for each month employed, for a total of 80 hours per year (10 days). Commencing the third year, employees will accrue ten hours of paid vacation for each month employed, for a total of 120 hours per year (15 days). Only regular, full-time employees shall accrue leave. Maximum leave that any one individual may carry over into a new fiscal year is 240 hours or 280 hours for employees with more than five years of service.

All employees, except Senior Aides, will earn eight hours of paid sick leave for each calendar month they are on payroll. Maximum sick leave benefits that an employee may accrue are 480 hours. Unused sick leave benefits will not be paid at the time of termination of employment.

The Governmental Accounting Standards Board (GASB) requires the accrual of a liability for vacation leave as the benefits are earned by employees if both of the following conditions are met:

- 1) The employees' rights to receive compensation are attributable to services already rendered and,
- 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination of employment or retirement.

As of September 30, 2016, the liability for accrued leave is approximately \$132,547. This amount has been classified as current and non-current on the face of the financial statements.

Cash Deposits

The Commission maintains deposits only with "Qualified Public Depositories" as defined by Section 41-14A-2 Code of Alabama 1975. In the event of default by a "Qualified Public Depository", public deposits in excess of FDIC insurance limits will be repaid by liquidating collateral pledged to the Security for Alabama Funds Enhancement (SAFE) Program by the bank in default. The liability for any remaining public deposits will be shared by all other "Qualified Public Depositories" participating in the SAFE Program.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

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.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Note B – Budgets and Appropriations

On or before September 1 of each year, all divisions of the Commission submit requests for appropriation to the Commission's director so that a budget may be prepared. The budget is prepared by project. Before September 30 of each year, the proposed budget is presented to the Regional Planning Commission Board of Directors for review and approval. The accompanying budgetary information is presented as approved by the Board of Directors.

Note C – Contingent Liabilities

The Commission received federal financial assistance during the year. The programs were audited for federal compliance for the period October 1, 2015 through September 30, 2016. The programs are also subject to review or audit by federal or other grantor agencies. Such reviews or audits could lead to requests for reimbursement to the grantor for expenditures disallowed under the terms of the grant or appropriation.

Note D – 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 others; and natural disasters. The Commission rents office space on a monthly basis, and has purchased insurance on the contents in the rented office space through a private insurance company. The Commission has also purchased errors and omissions, and employee dishonesty coverage from private insurance companies. The Commission pays annual premiums based on the amount of coverage requested. Employees' health, accident, and auto liability insurance is purchased through private insurance companies. The Commission has director and officers' liability insurance through United States Fire Insurance Company. The Commission has workers' compensation insurance through Municipal Worker's Compensation Fund, Inc. The Commission has unemployment insurance through the State of Alabama Department of Industrial Relations Unemployment Compensation Agency.

Settled claims resulting from these risks have not exceeded the Commission's coverage in any of the past three fiscal years.

Note E – Transfers

The primary material inter-fund transfers occurring during the audit period dealt with the recording and payment of accounts payable.

Note F – Subsequent Events

Management has evaluated subsequent events through May 31, 2017, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Note G – Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Motor vehicles	\$ 2,573,726	\$ -	\$ (959,540)	\$ 3,533,266
Classrooms	206,761	5,039	-	211,800
Office equipment	251,880	42,245	-	294,125
	<u>3,032,367</u>	<u>47,284</u>	<u>(959,540)</u>	<u>4,039,191</u>
Less accumulated depreciation:				
Motor vehicles	2,420,356	15,029	(959,540)	3,394,925
Classrooms	20,676	4,387	-	25,063
Office equipment	7,783	163,700	-	171,483
	<u>2,448,815</u>	<u>183,116</u>	<u>(959,540)</u>	<u>3,591,471</u>
Total capital assets, net	<u>\$ 583,552</u>	<u>\$ (135,832)</u>	<u>\$ -</u>	<u>\$ 447,720</u>

Depreciation expense charged during the year was \$183,116. In addition, certain reclassifications were made in the categories shown above in order to better reflect internal records.

Note H – Employee Retirement Plan

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 515 of the Legislature of 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 thirteen trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36, Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publically available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of thirteen 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:

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Pre-retirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 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 benefit	1,252
Terminated employees not entitled to benefits	5,048
Active members	55,883
Total	<u><u>83,874</u></u>

Contributions. Covered members of the ERS contributed 5.00% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012,

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6.00% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to October 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10.00% 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 6.00% 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 7.00% of earnable compensation. Tier 2 State Police members of the ERS contribute 10.00% of earnable compensation. These contribution 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 any administrative expenses of the Plan. For the year ended September 30, 2016 the Commission's active employee contribution rate was 5.00% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 5.10% of covered employee payroll.

The Commission's contractually-required contribution rate for the year ended September 30, 2016 was 6.50% of pensionable pay for Tier 1 employees and 3.04% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percentage 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 \$140,118 for the year ended September 30, 2016.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability:		
as of September 30, 2014	<u>\$ 7,131,435</u>	<u>\$ 7,077,762</u>
Entry Age Normal Cost for:		
October 1, 2014 - September 30, 2015	<u>\$ 238,269</u>	<u>\$ 238,269</u>
Actual Benefit Payments and Refunds for:		
October 1, 2014 - September 30, 2015	<u>\$ (464,042)</u>	<u>\$ (464,042)</u>
Total Pension Liability:		
as of September 30, 2015	<u>\$ 7,457,615</u>	<u>\$ 7,399,648</u>

Difference between expected and actual experience: \$57,967.

Actuarial Assumptions. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return *	8.00%

* Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combines Mortality Table Projected with a Scale AA to 2016 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, 2014 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 weighing the expected future real rates or return by the target asset allocation percentage and by adding expected inflation.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

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%
	<u>100.00%</u>	

* includes assumed rate of inflation of 2.50%.

Discount Rate. The discount rate used to measure the total pension liability was the long-term rate of return, 8.00%. 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.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 09/30/2014	\$ 7,131,435	6,990,700	140,735
Changes for the year:			
Service cost	238,269	-	238,269
Interest	551,953	-	551,953
Difference between expected and actual experience	(57,967)	-	(57,967)
Contributions - employer	-	158,273	(158,273)
Contributions - employees	-	132,897	(132,897)
Net investment income	-	81,905	(81,905)
Benefit payments, including refunds	(464,042)	(464,042)	-
Administrative expense	-	-	-
Transfers amount employers	-	-	-
Net changes	268,213	(90,967)	359,180
Balances at 09/30/2015	\$ 7,399,648	\$ 6,899,733	\$ 499,915

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the Commission's net pension liability calculated using the discount rate of 8.00%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease 7.00%	Current Rate 8.00%	1% Increase 9.00%
Plan's net pension liability	\$ 1,285,845	\$ 499,915	\$ (162,895)

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, 2015. The supporting actuarial information is included in the GASG Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated January 15, 2016 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.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

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

For the year ended September 30, 2016, the Commission recognized pension expense of \$140,725. At September 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 48,766
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	228,913	-
Employer contributions subsequent to the measurement date	112,315	-
Total	\$ 341,228	\$ 48,766

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

Year ended September 30,

2017	\$	35,741
2018		35,741
2019		35,740
2020		84,887
2021		(9,201)
Thereafter		(2,761)

The Retirement System of Alabama issues a publicly-available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to the Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama (Post Office Box 302150) 36104-0001.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Actuarial Valuation as of September 30, 2014

Summary of Employee Census Data	Tier 1	Tier 2	DROP
Number of active members	92	2	2
Annual compensation	\$ 2,312,284	\$ 129,590	\$ 130,939
Number of retired members and beneficiaries	17	-	2
Annual retirement allowances	\$ 152,652	\$ -	\$ 83,281
	<u>Vested</u>	<u>Non-vested</u>	<u>Total</u>
Number of inactive members	5	14	19
Accumulated contributions with interest	\$ 122,151	\$ 49,715	\$ 171,866
	<u>Retain Current Member Contribution Rates</u>	<u>Elect to Increase Member Contribution Rates Under Act 2011-676</u>	
Required Employer Contribution Rates			
Tier 1			
Normal cost	3.71%	1.18%	
Accrued liability	1.42%	1.49%	
Pre-retirement death benefit	0.02%	0.02%	
Administrative expense	0.35%	0.35%	
	<u>5.50%</u>	<u>3.04%</u>	
5.00% employer contribution factor (5.50%/5.00%)	1.100000		
6.00% employer contribution factor (5.50%/6.00%)	0.916667		
7.50% employer contribution factor (3.04%/7.50%)		0.405333	
8.50% employer contribution factor (3.04%/8.50%)		0.357647	
Tier 2			
Normal cost	1.33%		
Accrued liability	1.42%		
Pre-retirement death benefit	0.02%		
Administrative expense	0.35%		
	<u>3.12%</u>		
6.00% employer contribution factor (3.12%/6.00%)	0.520000		
7.00% employer contribution factor (3.12%/7.00%)	0.445714		

Comments on Employer Contribution Rates

The rates include contributions for cost of living benefit increases granted on or after October 1, 1978 through the valuation date.

Employer contributions may increase due to the granting of pay raises in excess of the expected amounts and for any future cost-of-living adjustments granted to retirees.

These contribution rates are determined under the parameters of GASB Statement Nos. 25 and 27. Any contributions above the required employer contribution rate, such as lump-sum payments, will result in a negative "Net Pension Obligation", which will have to be disclosed in the Commission's auditors' report.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Accounting Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets * (a)	Actuarial Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c)
09/30/09	\$ 4,881,215	\$ 5,277,430	396,215	92.5%	\$ 2,541,309	15.6%
09/30/10 ²	5,052,318	6,059,459	1,007,141	83.4%	3,010,651	33.5%
09/30/11 ⁴	4,918,625	5,886,712	968,087	83.6%	2,887,722	33.5%
09/30/12 ⁵	5,192,999	5,909,869	716,870	87.9%	2,764,255	25.9%
09/30/13 ⁶	5,778,384	6,310,224	531,840	91.6%	2,765,090	19.2%
09/30/14	6,589,582	6,914,813	325,231	95.3%	2,572,814	12.6%
09/30/14 ³	6,589,582	6,931,186	341,604	95.1%	2,572,814	13.3%

¹Reflects liability for cost-of-living benefit increases granted on of after October 1, 1978.

²Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

³Reflects the impact of Act 2011-27, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

⁴Reflects changes in actuarial assumptions.

⁵Reflects changes to interest smoothing methodology.

⁶Reflects implementation of Board Funding Policy.

*The actuarial value of assets was set equal to the market value of assets as of September 30, 2012. Market value of assets as of September 30, 2014: \$6,990,700.

Valuation date	09/30/14
Actuarial cost methods	Entry age
Amortization method	Level percent closed
Remaining amortization period	11 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	3.75-7.25%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Membership as of the Measurement Date of September 30, 2015

Inactive members or their beneficiaries currently receiving benefits	20
Vested inactive members	7
Inactive members entitled to, but not yet receiving benefits	12
Active members	106
Total	145

Pension Expense

Service cost	\$ 238,269
Interest on the total pension liability	551,953
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(9,201)
Member contributions	(132,897)
Projected earning on plan investments	(552,341)
Expensed portion of current-period differences between actual and projected earnings on plan investments	94,087
Recognition of beginning deferred inflows of resources as pension expense	(49,145)
Pension expense	\$ 140,725

Note I – Fund Balance

Non-spendable fund balance (general fund) represents amounts not in spendable form. In all other funds, these balances represent amounts that must be contractually maintained.

The Commission’s highest level of decision-making authority is the Board of Directors. Fund balances are committed and/or assigned by Board-approved resolution.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The Fiscal Director has the authority to deviate from this policy if it is in the best interest of the Commission.

Southeast Alabama Regional Planning and Development Commission
Notes to the Financial Statements
September 30, 2016

Note J – Long-Term Obligations

	Beginning Balances	Increases	Decreases	Ending Balances
IRP loan	\$ 289,430	\$ -	\$ 23,300	\$ 266,130
IRP loan	216,965	-	18,331	198,634
IRP loan	55,000	-	-	55,000
Compensated absences	134,269	-	1,722	132,547
	<u>\$ 695,664</u>	<u>\$ -</u>	<u>\$ 43,353</u>	<u>\$ 652,311</u>

Debt service requirements on long-term debt at September 30, 2016, are as follows:

Year ended September 30,	IRP Loan		IRP Loan		IRP Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 23,564	\$ 1,906	\$ 18,501	\$ 2,724	\$ 1,597	\$ 534
2018	23,801	1,669	18,687	2,538	1,613	518
2019	24,040	1,430	18,875	2,350	1,629	502
2020	24,281	1,189	19,065	2,160	1,645	486
2021	24,525	945	19,256	1,969	1,662	469
2022	24,772	698	19,449	1,776	1,678	453
2023	25,019	451	19,645	1,580	1,695	436
2024	28,632	-	19,842	1,383	1,712	419
2025	-	-	20,042	1,183	1,729	402
2026	-	-	20,243	982	1,747	385
2027	-	-	20,446	779	1,764	367
2028	-	-	20,651	574	1,782	349
2029	-	-	20,856	369	1,800	332
2030	-	-	10,572	-	1,817	314
Thereafter	-	-	-	-	31,130	1,319
	<u>\$ 198,634</u>	<u>\$ 8,288</u>	<u>\$ 266,130</u>	<u>\$ 20,367</u>	<u>\$ 55,000</u>	<u>\$ 7,285</u>

Note K – Restatement of Beginning Equity

During the year, it was discovered that a vehicle had been inadvertently omitted from the Commission's depreciation schedule. As such, a correction has been made to beginning net position in the amount of \$29,303.

Southeast Alabama Regional Planning and Development Commission
Budgetary Comparison Schedule
For the Year Ended September 30, 2016

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues						
Federal	\$ 69,627	\$ 65,688	\$ (3,939)	\$ 4,831,317	\$ 4,573,813	\$ (257,504)
State	72,791	122,791	50,000	-	-	-
Local	600,472	362,840	(237,632)	654,131	523,138	(130,993)
Interest	-	-	-	89,250	147,418	58,168
Miscellaneous	-	-	-	-	6,742	6,742
In-Kind	-	-	-	658,069	803,654	145,585
Total Revenues	742,890	551,319	(191,571)	6,232,767	6,054,765	(178,002)
Expenditures						
Current						
General Government	76,606	549,051	(472,445)	-	-	-
Direct	515,994	247,453	268,541	5,335,586	5,128,502	207,084
Indirect	150,290	94,313	55,977	192,417	184,218	8,199
In-Kind	-	-	-	658,069	803,654	(145,585)
Debt Service						
Principal Payments	-	-	-	41,081	41,631	(550)
Interest and Fiscal Charges	-	-	-	5,614	5,614	-
Bad Debt	-	-	-	-	18,917	(18,917)
Capital Outlay	-	-	-	-	47,284	(47,284)
Total Expenditures	742,890	890,817	(147,927)	6,232,767	6,229,820	2,947
Excess (Deficit) of Revenues Over (Under) Expenditures	-	(339,498)	(339,498)	-	(175,055)	(175,055)
Other Financing Sources (Uses)						
Transfers In	-	22,688	22,688	-	115,609	115,609
Transfers Out	-	(7,181)	(7,181)	-	(131,116)	(131,116)
Total Other Financing Sources (Uses)	-	15,507	15,507	-	(15,507)	(15,507)
Net Change in Fund Balances	-	(323,991)	(323,991)	-	(190,562)	(190,562)
Fund Balances - Beginning of Year - Restated	429,738	429,738	-	6,123,855	6,123,855	-
Fund Balances - End of Year	<u>\$ 429,738</u>	<u>\$ 105,747</u>	<u>\$ (323,991)</u>	<u>\$ 6,123,855</u>	<u>\$ 5,933,293</u>	<u>\$ (190,562)</u>

See independent auditors' report.



**Ferguson, Sizemore
& Associates**

CERTIFIED PUBLIC ACCOUNTANTS

1467 Honeysuckle Road

Dothan, AL 36305

Phone: 334.792.1180

Fax: 334.794.3380

www.fsacpa.com

**Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards**

To the Board of Directors of the
Southeast Alabama Regional Planning and Development Commission
Dothan, Alabama

We have audited the accompanying financial statements of the governmental activities and major funds of the Southeast Alabama Regional Planning and Development Commission (a component unit of the State of Alabama) as of and for the year ended September 30, 2016, which collectively comprise the Commission's basic financial statements, and have issued our unqualified report thereon dated May 31, 2017. These financial statements are the responsibility of the Commission's management. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ferguson, Sizemore & Associates

Ferguson, Sizemore & Associates
Certified Public Accountants
May 31, 2017



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Southeast Alabama Regional Planning and Development Commission
Schedule of Expenditures of Federal Awards
For the Year Ended in September 30, 2016

Federal Grantor/Pass - Through Grantor/Program Title	CFDA Number	Assistance Period	Program/Award Amount	Revenue Recognized	Federal Expenditures
U.S. Department of Commerce					
Economic Adjustment Assistance	11.307	10/01/2015-09/30/2016	\$ -	\$ 1,140,605	\$ 1,140,605
Economic Development - Support for Planning Organizations	11.302	01/01/2015-12/31/2015	63,000	15,750	15,750
Economic Development - Support for Planning Organizations	11.302	01/01/2016-12/31/2016	63,000	47,250	31,127
Total U.S. Department of Commerce			126,000	1,203,605	1,187,482
U.S. Department of Health and Human Services					
Head Start / Early Head Start	93.600	01/01/2015-12/31/2015	2,470,213	487,548	487,548
Head Start / Early Head Start	93.600	01/01/2016-12/31/2016	1,118,509	413,865	413,865
Head Start / Early Head Start	93.600	01/01/2016-12/31/2016	1,375,622	1,294,928	1,294,928
Total U.S. Department of Health and Human Services			4,964,344	2,196,341	2,196,341
U.S. Department of Agriculture					
Intermediary Relending Program	10.767	10/01/2015-09/30/2016	25,470	-	25,470
Intermediary Relending Program	10.767	10/01/2015-09/30/2016	21,225	-	21,225
Intermediary Relending Program	10.767	10/01/2015-09/30/2016	550	-	550
Alabama Department of Agriculture					
Child and Adult Care Food Program	10.558	01/01/2015-12/31/2015	271,046	84,581	84,581
Child and Adult Care Food Program	10.558	01/01/2016-12/31/2016	135,525	57,635	54,635
Child and Adult Care Food Program	10.558	01/01/2016-12/31/2016	135,525	152,629	152,629
Total U.S. Department of Agriculture			589,341	294,845	339,090
U.S. Department of Labor					
Senior Service America, Inc.					
Senior Community Service Employment Program	17.235	07/01/2015-06/30/2016	384,228	310,006	310,006
Senior Community Service Employment Program	17.235	07/01/2016-06/30/2017	192,116	93,400	93,400
Alabama Department of Senior Services					
Senior Community Service Employment Program	17.235	07/01/2015-06/30/2016	149,366	111,421	111,421
Senior Community Service Employment Program	17.235	07/01/2016-06/30/2017	166,908	23,661	23,661
Total U.S. Department of Labor			892,618	538,488	538,488

See accompanying independent auditors' report on the supplementary schedule.

Southeast Alabama Regional Planning and Development Commission
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Grantor/Pass - Through Grantor/Program Title	CFDA Number	Assistance Period	Program/Award Amount	Revenue Recognized	Federal Expenditures
U.S. Department of Transportation					
Alabama Department of Transportation					
Federal Transit Formula Grant - Section 5307 - major program	20.507	10/01/2015-09/30/2016	357,662	283,271	283,271
Federal Transit Formula Grant - Section 5307 - Capital - major program	20.507	10/01/2015-09/30/2016	-	55,440	55,440
Federal Transit Formula Grant - Section 5307 - Maintenance - major program	20.507	10/01/2015-09/30/2016	100,140	68,847	68,847
Federal Transit Formula Grant - Section 5311	20.509	10/01/2015-09/30/2016	69,238	46,592	46,592
Federal Transit Formula Grant - Section 5311 Ops	20.509	10/01/2015-09/30/2016	61,882	43,057	43,057
Federal Transit Formula Grant - Section 5311 - RTAP	20.509	10/01/2015-09/30/2016	-	2,020	2,020
Job Access & Reverse Commute - major program	20.516	10/01/2015-09/30/2016	961,414	1,044,913	905,358
Total U.S. Department of Transportation			<u>1,550,336</u>	<u>1,544,140</u>	<u>1,404,585</u>
U.S. Department of Homeland Security					
Hazard Mitigation	97.039	10/01/2015-09/30/2016	144,375	688	688
Total U.S. Department of Homeland Security			<u>144,375</u>	<u>688</u>	<u>688</u>
Delta Regional Authority					
Delta Local Development District Assistance	90.202	10/01/2015-09/30/2016	2,000	2,000	2,000
Total Delta Regional Authority			<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Total Federal Awards			<u>\$ 8,269,014</u>	<u>\$ 5,780,107</u>	<u>\$ 5,668,674</u>
Computation of EDA Expenditures:					
					\$ 1,376,165
					193,764
					26,886
					<u>1,596,815</u>
					0.7143
					<u>\$ 1,140,605</u>

See accompanying independent auditors' report on the supplementary schedule.

Southeast Alabama Regional Planning and Development Commission
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2016

Note A – Scope of Audit Pursuant to the Uniform Guidance and the Single Audit Act of 1984

The Southeast Alabama Regional Planning and Development Commission (the “Commission”) is an agency of the State of Alabama. All significant operations of the Commission are included in the scope of the Single Audit Act of 1984 and amendment of 1996, and the Uniform Guidance.

Note B – Fiscal Period Audited

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2016. Grant and appropriation terms are indicated in the Schedule of Expenditures of Federal Awards.

Note C – Summary of Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. Federal grant revenues are recorded for financial reporting purposes when the Commission has met the qualifications for the respective grants. Several programs are funded jointly by state or local appropriations and federal funds. Costs incurred in programs partially funded by federal grants are applied against grant funds to the extent of revenue available when they properly apply to the grant, except as described below.

Accrued and Deferred Reimbursement

Various reimbursement procedures are used for federal awards received by the Commission. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of expenditures over cash reimbursements received to date. Deferred balances at year-end represent an excess of cash reimbursements received over expenditures to date. Generally, accrued or deferred balances caused by differences in the timing of cash reimbursements and expenditures will be reversed in the remaining grant period.

Note D – Value of Outstanding Program Loans

Program loans receivable balances as of year-end were as follows:

EDA Revolving Loan Program	\$ 1,376,165
State Bond Loan Program	865,019
Intermediary Relending Program One	229,882
Intermediary Relending Program Two	296,241
Microloan Program	23,110
Dothan/Houston County Microloan Program	150,892
	<u>\$ 2,941,309</u>



**Ferguson, Sizemore
& Associates**

CERTIFIED PUBLIC ACCOUNTANTS

1467 Honeysuckle Road

Dothan, AL 36305

Phone: 334.792.1160

Fax: 334.794.3380

www.fsacpa.com

**Independent Auditors' 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***

To the Board of Directors of the
Southeast Alabama Regional Planning and Development Commission
Dothan, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Southeast Alabama Regional Planning and Development Commission (the "Commission"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated May 31, 2017.

Internal Control Over Financial Reporting

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

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

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



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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



Ferguson Sizemore & Associates
Dothan, Alabama
May 31, 2017



**Ferguson, Sizemore
& Associates**

CERTIFIED PUBLIC ACCOUNTANTS

1467 Honeysuckle Road

Dothan, AL 36305

Phone: 334.792.1180

Fax: 334.794.3380

www.fsacpa.com

**Independent Auditors' Report on Compliance For Each Major Program and on
Internal Control Over Compliance Required by Uniform Guidance**

To the Board of Directors of the
Southeast Alabama Regional Planning and Development Commission
Dothan, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Southeast Alabama Regional Planning and Development Commission's (the "Commission") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended September 30, 2016. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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



America Counts on CPAs®

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

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

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

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

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



Ferguson Sizemore & Associates
Dothan, Alabama
May 31, 2017

**Southeast Alabama Regional Planning and Development Commission
Schedule of Findings and Questioned Costs
Year Ended September 30, 2016**

Section 1 – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiencies identified not
 considered to be material weaknesses? yes none reported
 Non-compliance material to financial statements
 noted? yes no

Federal Awards

Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiencies identified not
 considered to be material weaknesses? yes none reported
 Type of auditors’ report issued on compliance
 for major programs? Unmodified
 Any audit findings disclosed that are required
 to be reported in accordance with Uniform
 Guidance? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program/Cluster</u>
20.516	Job Access & Reverse Commute
20.507	Federal Transit Formula Grant – Section 5307

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000
 Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None

Southeast Alabama Regional Planning and Development Commission
Schedule of Changes in the Net Pension Liability
September 30, 2016

Year Ended September 30,	2015	2014
Total Pension Liability		
Service cost	\$ 238,269	\$ 238,616
Interest	551,953	516,822
Differences between expected and actual experience	(57,967)	-
Benefit payments, including refunds of employee contributions	(464,042)	(168,563)
Net change in total pension liability	268,213	586,875
Total pension liability - beginning of year	7,131,435	6,544,560
Total pension liability - end of year	\$7,399,648	\$7,131,435
Plan Fiduciary Net Position		
Contributions - employer	\$ 158,273	\$ 240,377
Contributions - employees	132,897	131,521
Net investment income	81,905	737,877
Benefit payments, including refunds of employee contributions	(464,042)	(168,563)
Transfers among employees	-	(1,460)
Net change in plan fiduciary net position	(90,967)	939,752
Plan net position - beginning of year	6,990,700	6,050,948
Plan net position - end of year	\$6,899,733	\$6,990,700
Net pension liability	\$ 499,915	\$ 140,735
Plan fiduciary net position as a percentage of the total pension liability	93.24%	98.03%
Covered employee payroll	\$2,411,566	\$2,558,235
Net pension liability as a percentage of covered employee payroll	20.73%	5.50%

See accompanying notes and independent auditors' report.

Southeast Alabama Regional Planning and Development Commission
Schedule of Employer Contributions
September 30, 2016

Year Ended September 30,	<u>2016</u>	<u>2015</u>
Actuarially-determined contributions	\$ 140,118	\$ 130,470
Contributions in relation to the actuarially-determined contributions	(140,118)	(130,470)
Contribution deficiency or excess	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 <u>\$ 2,411,566</u>	 <u>\$ 2,558,235</u>
 Contributions as a percentage of covered employee payroll	 <u>5.81%</u>	 <u>5.10%</u>

See accompanying notes and independent auditors' report.