

Report on the

# Marshall County Commission

Marshall County, Alabama

October 1, 2011 through September 30, 2012

Filed: March 7, 2014



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*





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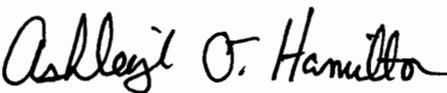
Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of the Marshall County Commission, Marshall County, Alabama, for the period October 1, 2011 through September 30, 2012.

Sworn to and subscribed before me this  
the 13 day of Feb., 2014.

  
\_\_\_\_\_  
Notary Public

Respectfully submitted,

  
Ashleigh O. Hamilton  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Marshall County Commission  
October 1, 2011 through September 30, 2012**

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

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unqualified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2012.

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

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

**CURRENT FINDING**

- ◆ 2012-01 relates to the Commission's failure to follow the Alabama Public Works Laws.

A problem was found with the Commission's internal controls over compliance for its federal assistance programs (Exhibit 17) and it is summarized below.

- ◆ 2012-02 relates to the Commission's failure to comply with requirements under the Davis-Bacon Act for federal funds.

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: Shelly Fleisher, County Administrator; James Hutcheson, Chairman; and Commissioners: William Strickland, III; James Maze; Richard Kilgore; and Tamey Hale. The following individuals attended the exit conference, held at the Commission's office: Shelly Fleisher, County Administrator; James Hutcheson, Chairman; and a representative of the Department of Examiners of Public Accounts: Ashleigh O. Hamilton, Examiner of Public Accounts.

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*Schedule of State and Local  
Compliance and Other Findings*

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***Schedule of State and Local Compliance and Other Findings***  
***For the Year Ended September 30, 2012***

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Ref. No.	Finding/Noncompliance
2012-01	<p><b><u>Finding:</u></b> Public works, as provided by the <i>Code of Alabama 1975</i>, Section 39-2-1, is defined as “the construction, installation, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, curbs, gutters, sidewalks, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, installed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the form of lease payments or otherwise.” Public Work contracts which equal or exceed \$50,000.00 in value and meet the definition of public works fall under the provisions of the Public Works Law. The Public Works Law also requires a performance bond and a payment bond be executed on the person awarded the bid. Additionally, upon completion of the contract, the contractor shall give notice of completion by an advertisement in a newspaper of general circulation. The Commission entered into a contract for a storm shelter totaling \$69,692.00 which met the definition of public works; however, performance bonds and payment bonds were not obtained and an advertisement of notice of completion was not available for review.</p> <p><b><u>Recommendation:</u></b> The Commission should ensure compliance with the <i>Code of Alabama 1975</i>, Section 39-2-1 for the Public Works Law.</p>

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*Independent Auditor's Report*

## *Independent Auditor's Report*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission, as of and for the year ended September 30, 2012, which collectively comprise the Marshall County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Marshall County Commission's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission, as of September 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of the Marshall County 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 and 10), and the Schedules of Funding Progress (Exhibits 11 and 12), 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 principally 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13) is presented for the purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards 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 financial statements or to the 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 taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

January 27, 2014

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Marshall County Commission's discussion and analysis of its financial statements for the fiscal year ending September 30, 2012 is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activities, (c) identify any material deviations from the financial plan (the approved budget), and (d) identify financial issues and concerns.

The reader should be able to identify the changes in the Commission's financial position and analyze the ability of the Commission to meet future needs.

Marshall County Commission encourages readers to read and evaluate this information in conjunction with all sections of this report, which includes government-wide statements, fund statements, Notes to the Financial Statements and the Required Supplemental Information that is provided in addition to this discussion and analysis.

### **Financial Highlights**

The Commission's Net Assets and Changes in Net Assets are presented in a condensed version in Tables I & II.

- The Commission's net assets are \$26,489,157.57 representing an increase from fiscal year 2011 of \$1,427,919.74.
- The Commission's program revenues for governmental programs (excluding transfers) were \$10,108,429.39, a decrease of \$3,038,367.14 from fiscal year 2011.
- Total expenses for the Commission were \$22,925,064.33 for governmental activities representing a decrease \$1,865,642.70 from fiscal year 2011.
- Under the guidelines of GASB 34, accumulated depreciation was \$16,555,773.00.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements that are composed of: government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

## **Government-Wide Financial Statements:**

- The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private-sector business.
- The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The statement of activities presents information showing how the Commission's net assets changed during the most recent fiscal year. The statement includes the financial activities of the primary government, except for fiduciary activities. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation and sick leave).
- To assess the overall condition of the Commission, additional non-financial factors must be considered such as changes in the Commission's property tax base and the condition of the Commission's infrastructure, building and other facilities.
- The government-wide financial statements distinguish functions of the Commission that are principally supported by taxes and intergovernmental revenue (government activities).
- In the government-wide financial statements the Commission's services are shown in the category of governmental activities. Most of the Commission's services are general government, public safety, highways & roads, sanitation, health, welfare, culture & recreation, education, interest & fiscal charges, and intergovernmental.

## **Fund Financial Statements**

Major governmental funds are the focus in the fund financial statements instead of the Commission as a whole. The Commission establishes many funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, bond covenant, and other money.

- Governmental funds – Most of the Commission's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation's to the government-wide financial statements.

- Fiduciary funds – The Commission is the trustee, or fiduciary, and responsible for assets of various agency funds that can be used only for the fiduciary beneficiaries. The Commission is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Commission’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. They are excluded from the Commission’s government-wide financial statements because the County cannot use their assets to finance its operations.

## Financial Analysis of the Commission

The total net assets of the Commission for fiscal year 2012 were \$26,489,157.57 and \$25,061,237.83, as restated for fiscal year 2011 representing an increase in net assets of \$1,427,919.74. Net assets of the Commission are summarized and analyzed below:

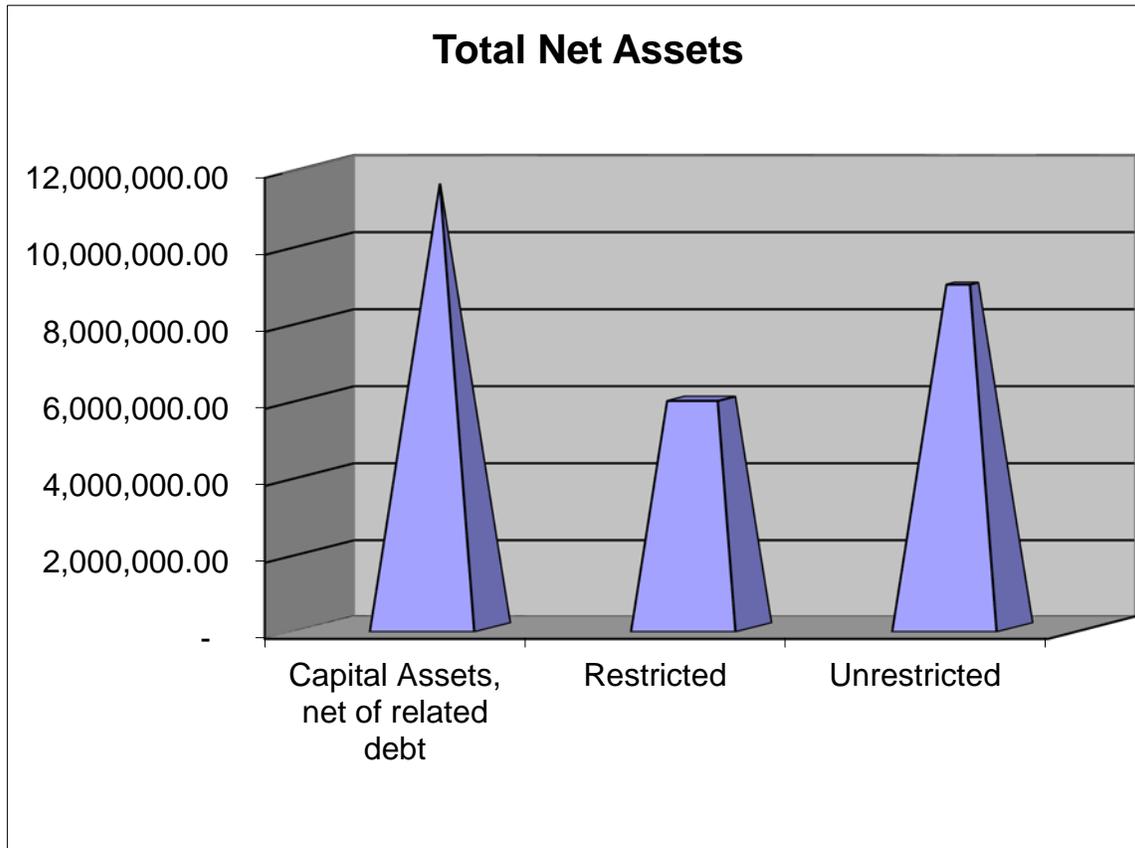
<b>NET ASSETS</b>			
<b>September 30, 2012</b>			
	<b>2012</b>		<b>2011</b>
			<b>as restated</b>
Current and other assets	\$ 27,414,804.58	\$	25,856,093.57
Capital Assets	17,460,008.43		17,216,206.34
<b>Total Assets</b>	<b>\$ 44,874,813.01</b>	\$	<b>43,072,299.91</b>
Long-term debt outstanding	8,814,832.69		8,584,303.39
Other Liabilities	9,570,822.75		9,426,758.69
<b>Total Liabilities</b>	<b>\$ 18,385,655.44</b>	\$	<b>18,011,062.08</b>
<b>Net Assets</b>			
Invested in capital assets			
Net of related debt	11,559,556.05		11,095,503.45
Restricted	5,969,146.47		6,033,085.34
Unrestricted	8,960,455.05		7,932,649.04
<b>Total Net Assets</b>	<b>\$ 26,489,157.57</b>	\$	<b>25,061,237.83</b>

As noted earlier, net assets may serve over time as a useful indicator of the Commission’s financial position. Assets exceeded liabilities by \$26,489,157.57 as of September 30, 2012. This was an increase of \$1,427,919.74 from fiscal year 2011. The increase in net assets can be attributed to a decrease in general expenditures.

The largest portion of the Commission’s net assets, \$11,559,556.05 or 44%, is reflected in its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, etc.), net of related outstanding debt used to acquire those assets. The Commission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Commission’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

The second largest portion of the Commission's net assets, \$8,960,455.05 or 34%, is unrestricted and may be used to meet the Commission's ongoing obligations to citizens and creditors.

The remaining portion of the Commission's net assets, \$5,969,146.47 or 22%, represents resources that are subject to external restrictions on how they may be used.



**CHANGES IN NET ASSETS  
SEPTEMBER 30, 2012**

	Governmental Activities	
	2012	2011
<b>Revenue</b>		
<b>Program Revenues:</b>		
Charges for Services	1,870,313.45	1,800,549.37
Operating Grants & Contributions	7,577,297.40	11,056,045.14
Capital Grants & Contributions	660,818.54	290,202.02
<b>General Revenues:</b>		
Property Taxes for General Purpose	7,250,834.87	4,892,505.27
Property Taxes for Specific Purpose	1,246,195.22	4,059,939.38
Gasoline Sales Tax	492,821.28	491,957.64
General Sales Tax		
Grants & Contribution not Restricted for Specific Purpose	201,768.09	570,264.09
Miscellaneous Taxes	1,189,648.70	884,008.25
TVA in Lieu of Taxes	2,367,578.94	2,215,947.47
Interest Earned	10,042.60	34,925.11
Miscellaneous	1,416,795.62	855,516.30
Gain on Disposition of Capital Assets	68,869.36	137,693.58
<b>Total Revenue</b>	<b>24,352,984.07</b>	<b>27,289,553.62</b>
<b>Expense</b>		
General Government	6,864,527.14	6,276,171.86
Public Safety	7,399,379.47	12,073,065.79
Highways & Roads	6,988,246.08	4,927,838.79
Sanitation	0	0
Health	108,361.90	96,242.11
Welfare	504,019.74	580,138.17
Culture & Recreation	459,707.16	300,999.93
Education	66,250.00	63,750.00
Interest & Fiscal Charges on Long-Term Debt	275,956.68	135,203.78
Intergovernmental	258,616.16	337,296.60
<b>Total Expense</b>	<b>22,925,064.33</b>	<b>24,790,707.03</b>
Increase in net assets	1,427,919.74	2,498,846.59
Net Asset – Beginning of Year (2012 restated)	25,061,237.83	22,562,391.24
Net Assets – End of Year	<u>26,489,157.57</u>	<u>25,061,237.83</u>

The Commission's total revenue for fiscal year 2012 was \$24,352,984.07 with approximately 35% from ad valorem taxes, 2% from county gasoline tax, 5% from miscellaneous taxes, 8% from charges for services, and 6% from interest earned/miscellaneous. Approximately 35% of the total revenue is represented by grants and contributions.

The total expenditures for the fiscal year 2012, excluding transfers, were \$22,925,064.33. Expenditures by functions are as follows: General Government 30%, Public Safety 32%, Highways and Roads 31%, Welfare 2% and Sanitation, Health, Culture and Recreation, Education, Interest & Fiscal Charges and Intergovernmental 5%.

The Commission was able to fully fund all fiscal year 2012 costs and increase total net assets by \$1,427,919.74.

## Governmental Activities

	Total Cost of Services	Net Cost of Services
General Government	6,864,527.14	4,444,216.33
Public Safety	7,399,379.47	5,381,588.54
Highway and Roads	6,988,246.08	2,719,011.04
Other Programs	1,672,911.64	271,819.03
Total	22,925,064.33	12,816,634.94

The governmental activities table provides the reader the Commission’s net cost by function of its programs. Net cost represents the total expenditures less any fees generated by the activities and less intergovernmental revenues and shows the financial burden that was placed on the County’s taxpayers by each of the functions.

## Significant Changes in Individual Major Fund Balances

The following table provides a summary of the changes in fund balances of the Commission’s major funds.

	Beginning Fund Balance	Net Increase (Decrease)	Ending Fund Balance
General	10,436,067.06	1,141,234.44	11,577,301.50
Disaster Fund	(573,255.46)	252,716.02	(320,539.44)
Reappraisal	-0-	-0-	-0-

The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Commission’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission’s financing requirement. In particular, unreserved fund balance may serve as a useful measure of the Commission’s net resources available for spending at the end of the year.

General Fund – the chief operating fund of the Commission. At the end of the fiscal year the fund balance increased by \$1,141,234.44. This is a result of revenues exceeding budgeted amounts and expenditures coming in under budget.

Disaster Fund – the fund used to account for the April 2011 tornados. Additional unanticipated revenue caused the reduction in the negative fund balance. Once the final reimbursement from FEMA and the State is received, the General Fund will cover the remaining shortage.

Reappraisal Fund – the fund used to account for the County’s property tax reappraisal program. Excess revenues are deferred each fiscal year to meet future expenditures.

## Budgetary Highlights of Major Funds

The statutory basis for county budgeting is Act Number 79-466, Acts of Alabama. According to the terms of the law, county officials receiving public funds and/or issuing orders for payment out of the county treasury must submit an estimate of revenues and expenditures for the next fiscal year. The Commission must adopt its annual budget no later than October 1 of each year. The budgeted expenditures may not legally exceed budgeted revenues for the budget year.

The budget is divided into two parts – an operating and a capital budget. The operating budget focuses on providing services, paying personnel, travel and equipment. The capital budget addresses major equipment, capital improvements and public works projects.

Throughout the year, the Commission and management will compare the original adopted budget to actual results of operations. A determination is then made of what, if any, amendments need to be made to the original budget to reflect changes in funding needs. Any changes must be within the revenues and reserves estimated to be available. There were no significant budgetary variations.

## Capital Assets and Debt Administration

### Capital Assets

GASB 34 required the Commission to report new infrastructure assets beginning with fiscal year 2003. The Commission adopted thresholds for items in its list of capital assets. Depreciation of all assets is recorded on an annual basis, with the exception of land and improvements, construction in progress and infrastructure in progress. Depreciation is calculated using the straight-line method.

The following table provides a reconciliation of capital assets for the year ended September 30, 2012.

<b>CAPITAL ASSETS</b>	
Land	1,204,894.50
Construction In Progress	4,399.68
Infrastructure	8,345,887.31
Buildings & Improvements	13,125,083.93
Motor Vehicles, Furniture & Equipment	9,970,679.49
Assets Under Capital Leases	1,364,836.52
Less: Accumulated Depreciation	<u>(16,555,773.00)</u>
Total Capital Assets, net of depreciation	<u><b>17,460,008.43</b></u>

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

## Long-Term Obligations

As of September 30, 2012 the outstanding balance of the County's general obligation warrants was \$4,890,000.00, a decrease of \$270,000.00 from fiscal year 2011.

In 2003 the Commission issued general obligation warrants/USDA loan in the amount of \$345,000.00 for the purchase of a building to provide a public daycare center. A lease agreement was entered into between the Commission and the Childcare Resource Network, Inc. for rental payments on the building. The outstanding balance as of September 30, 2012 is \$290,000.00.

### LONG-TERM DEBT

Capital Lease Contracts	833,332.75
Warrants Payable	5,180,000.00
Deferred Loss on Refunding	(255,033.43)
Unamortized Premium	210,897.33
Estimated Liability for Compensated Absences	438,188.74
Net Pension Obligation	<u>2,407,447.30</u>
<b>Total long-term debt</b>	<b><u>8,814,832.69</u></b>

## ECONOMIC FACTORS AND CONDITIONS

- Property tax revenue is a major resource component for the Commission. Marshall County will be conducting a full reappraisal each year resulting in an increase in property values and thereby in ad valorem taxes.
- The cost of fuel and petroleum based products such as asphalt is expected to remain high during fiscal year 2013.
- In 2012, the unemployment rate in Marshall County continued to move in the right direction. The average rate for 2012 was 7.0%. This can be compared to a 20 year high of 10.0% in January 2010. This 7.0% average was less than the State of Alabama average of 7.3%.
- In 2012, Newman Technologies announced that they will build a new facility in Albertville. This \$15M automotive parts manufacturer will employ around 200 by the end of 2013. Also in 2012, Colormasters, LLC announced a major expansion that will create another 150 new jobs.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Administrator, Marshall County Commission 424 Blount Avenue, Guntersville, Alabama 35976.

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# *Basic Financial Statements*

**Statement of Net Assets**  
**September 30, 2012**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 13,173,548.24
Cash with Fiscal Agent	458,459.39
Investments	1,823,018.47
Receivables (Note 4)	2,125,730.42
Long-Term Receivables (Note 4)	1,561,584.72
Ad Valorem Taxes Receivable	7,724,667.86
Lease Receivable	445,666.20
Inventories	30,448.13
Prepaid Items	2,936.88
Deferred Charges	68,744.27
Capital Assets (Note 5):	
Nondepreciable	1,209,294.18
Depreciable, Net	16,250,714.25
Total Assets	<u>44,874,813.01</u>
<b>Liabilities</b>	
Payables	910,696.82
Deferred Revenue	8,420,715.26
Accrued Interest Payable	64,291.67
Claims Costs Payable	175,119.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Capital Lease Contracts Payable	326,704.60
Warrants Payable	440,000.00
Deferred Loss on Refunding	(28,077.08)
Unamortized Premium	23,218.05
Estimated Liability for Compensated Absences	43,818.87
Portion Due or Payable After One Year:	
Capital Lease Contracts Payable	506,628.15
Warrants Payable	4,740,000.00
Deferred Loss on Refunding	(226,956.35)
Unamortized Premium	187,679.28
Estimated Liability for Compensated Absences	394,369.87
Net OPEB Obligation	2,407,447.30
Total Liabilities	<u>\$ 18,385,655.44</u>

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

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	<b>Governmental Activities</b>
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	\$ 11,559,556.05
Restricted for:	
Road Projects	2,009,581.32
Debt Service	401,619.77
Capital Projects	2,791,957.61
Other Purposes	765,987.77
Unrestricted	<u>8,960,455.05</u>
Total Net Assets	<u><u>\$ 26,489,157.57</u></u>

**Statement of Activities**  
**For the Year Ended September 30, 2012**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
General Government	\$ 6,864,527.14	\$ 1,713,609.84	\$ 706,700.97
Public Safety	7,399,379.47	18,876.61	1,743,545.15
Highways and Roads	6,988,246.08		4,263,309.97
Health	108,361.90		21,735.12
Welfare	504,019.74		842,006.19
Culture and Recreation	459,707.16	137,827.00	
Education	66,250.00		
Interest on Long-Term Debt	275,956.68		
Intergovernmental	258,616.16		
Total Governmental Activities	<u>\$ 22,925,064.33</u>	<u>\$ 1,870,313.45</u>	<u>\$ 7,577,297.40</u>

**General Revenues:**

Taxes:

- Property Taxes for General Purposes
- Property Taxes for Specific Purposes
- County Gasoline Sales Tax
- Miscellaneous Taxes
- TVA in Lieu of Taxes

Grants and Contributions Not Restricted for Specific Programs

Interest Earned

Gain on Disposition of Capital Assets

Miscellaneous

Total General Revenues

Change in Net Assets

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

Net Assets - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities</u>
\$	\$
255,369.17	(4,444,216.33)
5,925.07	(5,381,588.54)
	(2,719,011.04)
	(86,626.78)
399,524.30	737,510.75
	(321,880.16)
	(66,250.00)
	(275,956.68)
	(258,616.16)
<u>\$ 660,818.54</u>	<u>(12,816,634.94)</u>

7,250,834.87  
1,246,195.22  
492,821.28  
1,189,648.70  
2,367,578.94

201,768.09  
10,042.60  
68,869.36  
1,416,795.62

14,244,554.68

1,427,919.74

25,061,237.83

\$ 26,489,157.57

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2012***

	<b>General Fund</b>	<b>Disaster Fund</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 6,979,005.39	\$
Cash with Fiscal Agent		
Investments	1,823,018.47	
Receivables (Note 4)	1,564,675.72	
Long-Term Receivables (Note 4)		1,561,584.72
Ad Valorem Taxes Receivable	6,583,789.87	
Interfund Receivables	2,033,545.67	
Lease Receivable		
Inventories	30,448.13	
Prepaid Items	2,936.88	
Total Assets	<u>19,017,420.13</u>	<u>1,561,584.72</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Payables	666,209.76	
Interfund Payables		1,882,124.16
Deferred Revenue	6,598,789.87	
Claims Cost Payable	175,119.00	
Total Liabilities	<u>7,440,118.63</u>	<u>1,882,124.16</u>
<b><u>Fund Balances</u></b>		
Nonspendable:		
Prepaid Items	2,936.88	
Noncurrent Receivables		1,561,584.72
Inventories	30,448.13	
Restricted for:		
Road Surface Repairs		
Capital Projects		
Debt Service		
Local Officials		
Other Purposes	402,809.44	
Assigned:		
Road Surface Repairs		
Capital Projects	0.60	
Other Purposes		
Unassigned	11,141,106.45	(1,882,124.16)
Total Fund Balances	<u>11,577,301.50</u>	<u>(320,539.44)</u>
Total Liabilities and Fund Balances	<u>\$ 19,017,420.13</u>	<u>\$ 1,561,584.72</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 235,914.53	\$ 5,958,628.32	\$ 13,173,548.24
	458,459.39	458,459.39
		1,823,018.47
53.95	561,000.75	2,125,730.42
		1,561,584.72
1,140,877.99		7,724,667.86
		2,033,545.67
	445,666.20	445,666.20
		30,448.13
		2,936.88
<u>1,376,846.47</u>	<u>7,423,754.66</u>	<u>29,379,605.98</u>
1,207.28	243,279.78	910,696.82
	151,421.51	2,033,545.67
1,375,639.19	446,286.20	8,420,715.26
		175,119.00
<u>1,376,846.47</u>	<u>840,987.49</u>	<u>11,540,076.75</u>
		2,936.88
		1,561,584.72
		30,448.13
	2,009,581.32	2,009,581.32
	2,791,957.61	2,791,957.61
	465,911.44	465,911.44
	186,083.59	186,083.59
	177,094.74	579,904.18
	885,915.40	885,915.40
	44,301.14	44,301.74
	21,922.33	21,922.33
	(0.40)	9,258,981.89
	<u>6,582,767.17</u>	<u>17,839,529.23</u>
<u>\$ 1,376,846.47</u>	<u>\$ 7,423,754.66</u>	<u>\$ 29,379,605.98</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
September 30, 2012***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 17,839,529.23

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

Capital assets used in Governmental Activities are not financial resources and therefore  
are not reported as assets in Governmental Funds. (See Note 5.)

Nondepreciable	\$	1,209,294.18	
Depreciable, Net		16,250,714.25	17,460,008.43

Debt issuance costs are reported as current expenditures in the funds. However,  
issuance costs are deferred and amortized over the life of the bonds and are  
included in the Statement of Net Assets.

Deferred Charges	68,744.27
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Certain liabilities are not due and payable in the current period and therefore are not  
reported as liabilities in the funds. These liabilities at year-end consist of:

	Due or Payable Within One Year	Due or Payable After One Year	
Warrants Payable	\$ 440,000.00	4,740,000.00	
Unamortized Premium	23,218.05	187,679.28	
Deferred Loss on Refunding	(28,077.08)	(226,956.35)	
Interest Payable	64,291.67		
Capital Lease Contracts Payable	326,704.60	506,628.15	
Estimated Liability for Compensated Absences	43,818.87	394,369.87	
Net OPEB Obligation		2,407,447.30	
Total Long-Term Liabilities	\$ 869,956.11	\$ 8,009,168.25	(8,879,124.36)

Total Net Assets - Governmental Activities (Exhibit 1) \$ 26,489,157.57

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

***Statement of Revenues, Expenditures and Changes in Fund Balances***  
***Governmental Funds***  
***For the Year Ended September 30, 2012***

	<b>General Fund</b>	<b>Disaster Fund</b>
<b><u>Revenues</u></b>		
Taxes	\$ 8,195,758.33	\$
Licenses and Permits	105,761.47	
Intergovernmental	3,646,453.76	579,915.35
Charges for Services	1,670,049.44	
Miscellaneous	1,346,512.43	
Total Revenues	<u>14,964,535.43</u>	<u>579,915.35</u>
<b><u>Expenditures</u></b>		
Current:		
General Government	4,933,776.87	
Public Safety	5,228,391.20	327,199.33
Highways and Roads	1,139,212.55	
Health	105,940.31	
Welfare	174,444.13	
Culture and Recreation	154,812.92	
Education	66,250.00	
Capital Outlay	1,194,472.11	
Debt Service:		
Principal Retirement	316,473.36	
Interest and Fiscal Charges	32,463.03	
Intergovernmental	254,698.40	
Total Expenditures	<u>13,600,934.88</u>	<u>327,199.33</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,363,600.55</u>	<u>252,716.02</u>
<b><u>Other Financing Sources (Uses)</u></b>		
Transfers In	30,350.18	
Sale of Capital Assets	93,184.01	
Proceeds from Capital Leases	374,533.92	
Transfers Out	(720,434.22)	
Total Other Financing Sources (Uses)	<u>(222,366.11)</u>	
Net Changes in Fund Balances	1,141,234.44	252,716.02
Fund Balances - Beginning of Year, as Restated (Note 14)	<u>10,436,067.06</u>	<u>(573,255.46)</u>
Fund Balances - End of Year	<u>\$ 11,577,301.50</u>	<u>\$ (320,539.44)</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,072,815.39	\$ 910,926.35	\$ 10,179,500.07
		105,761.47
	6,675,376.73	10,901,745.84
	13,419.02	1,683,468.46
7,308.42	59,818.02	1,413,638.87
<u>1,080,123.81</u>	<u>7,659,540.12</u>	<u>24,284,114.71</u>
1,028,381.71	395,949.23	6,358,107.81
	1,286,960.42	6,842,550.95
	5,058,257.23	6,197,469.78
		105,940.31
	290,888.95	465,333.08
	294,679.47	449,492.39
		66,250.00
51,742.10	461,333.53	1,707,547.74
	290,738.28	607,211.64
	174,342.95	206,805.98
	3,917.76	258,616.16
<u>1,080,123.81</u>	<u>8,257,067.82</u>	<u>23,265,325.84</u>
	(597,527.70)	1,018,788.87
	763,387.00	793,737.18
		93,184.01
		374,533.92
	(73,302.96)	(793,737.18)
	<u>690,084.04</u>	<u>467,717.93</u>
	92,556.34	1,486,506.80
	6,490,210.83	16,353,022.43
<u>\$</u>	<u>\$ 6,582,767.17</u>	<u>\$ 17,839,529.23</u>

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2012***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,486,506.80

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differed from depreciation in the current period.

Capital Outlays	\$ 1,707,547.74	
Depreciation Expense	<u>(1,439,431.00)</u>	268,116.74

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

Proceeds from the Sale of Capital Assets	\$ (93,184.01)	
Gain on Disposition of Capital Assets	<u>68,869.36</u>	(24,314.65)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 607,211.64

Discounts, premiums, issuance costs and deferred amounts on refunding are reported in the funds in the year the applicable debt is issued; however, these amounts are deferred and amortized over the life of the debt issued.

Amortization of Premium on Debt Issued	\$ 23,218.05	
Amortization of Debt Issuance Cost	(7,568.18)	
Amortization of Deferred Loss on Refunding	<u>(28,077.08)</u>	
Net Adjustment		(12,427.21)

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

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

Net Decrease in Estimated Liability for Compensated Absences	\$	15,262.01	
Net Increase in OPEB Obligation		(473,610.00)	
Net Increase in Accrued Interest Payable		<u>(64,291.67)</u>	(522,639.66)

Proceeds from capital leases are reported as other financing sources in governmental funds and thus contribute to the changes in fund balance. However, in the Statement of Net Assets, capital leases increase long-term liabilities and do not affect the Statement of Activities.

(374,533.92)

Change in Net Assets of Governmental Activities (Exhibit 2)

\$ 1,427,919.74

***Statement of Fiduciary Net Assets***  
***September 30, 2012***

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 419,257.21	\$ 247,229.92
Receivables (Note 4)	18,059.26	46,576.59
Prepaid Items	250.00	
Total Assets	<u>437,566.47</u>	<u>293,806.51</u>
<b><u>Liabilities</u></b>		
Payable to External Parties	273,294.71	293,806.51
Total Liabilities	<u>273,294.71</u>	<u>\$ 293,806.51</u>
<b><u>Net Assets</u></b>		
Held in Trust for Other Purposes	<u>164,271.76</u>	
Total Net Assets	<u>\$ 164,271.76</u>	

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

***Statement of Changes in Fiduciary Net Assets  
For the Year Ended September 30, 2012***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Contributions from:	
Worthless Check Collection Service Charges	\$ 195,049.39
State Grants	83,224.71
Child Protection	31,061.75
Miscellaneous	16,355.34
Interest	16,022.81
Total Additions	<u>341,714.00</u>
<b><u>Deductions</u></b>	
Administrative Expenses	<u>302,830.84</u>
Total Deductions	<u>302,830.84</u>
Change in Net Assets	38,883.16
Net Assets - Beginning of Year	<u>125,388.60</u>
Net Assets - End of Year	<u>\$ 164,271.76</u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### **Note 1 – Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

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

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### *Fund Financial Statements*

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

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. The General Fund also accounts for employee health insurance to self-insure the Commission against liability claims. Additionally, the fund is used to report the expenditures of special county property taxes for building and maintaining public buildings, roads, and bridges.
- ◆ **Disaster Fund** – This fund is used to account for expenditures relating to Marshall County's recovery from the tornadoes that struck Alabama on April 27, 2011 and to the corresponding federal and state grant revenues received from the Alabama Emergency Management Agency.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of special county property taxes for the costs related to the property reappraisal program.

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

#### *Governmental Fund Types*

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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The Commission reports the following fiduciary fund types:

#### *Fiduciary Fund Types*

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

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

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

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

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

#### **D. Assets, Liabilities, and Net Assets/Fund Balances**

##### **1. Deposits and Investments**

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

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

Investments are reported at fair value.

##### **2. Receivables**

Sales tax receivables are based on the amounts collected within 60 days after year-end.

Sales, rental, gas, tobacco and lodging taxes receivables consist of taxes that have been paid by consumers in September. These taxes are normally remitted to the Commission within the next 60 days.

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects and amounts due from the state and local governments.

##### **3. Inventories**

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**5. Capital Assets**

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

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

	Capitalization Threshold	Estimated Useful Life
Roads	\$250,000	20 years
Bridges	\$ 50,000	40 years
Land Improvements – Exhaustible	\$100,000	25 years
Buildings	\$ 50,000	40 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Equipment Under Capital Lease	\$ 5,000	5 – 10 years

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**6. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Warrant premiums, as well as issuance costs, are deferred and amortized over the life of the warrants. Warrants payable are reported net of the applicable warrant premium. Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**7. Compensated Absences**

The Commission has a standard leave policy for its full-time employees as to sick, annual and compensatory leave. The Marshall County Personnel Board establishes rules and regulations governing leaves of absence as provided under Act Number 82-206, Acts of Alabama, page 242.

**Annual Leave**

All employees accrue annual leave, with pay, based upon total service and may accumulate a maximum of 300 hours of annual leave. Upon termination of employment in good standing, the employees are paid for all unused annual leave accumulated during the anniversary year of such employee termination.

**Sick Leave**

All employees, after one (1) month of service, are eligible for paid sick leave at the rate of one (1) workday per month of continuous employment. Unused sick leave credits may be accumulated and carried over into successive fiscal years. All unused sick leave is forfeited upon separation and is not compensated to the employee, except in the case of retirement when an employee may be compensated for one-half of his/her accumulated sick leave not to exceed 480 hours.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Generally employees in public safety activity, emergency response activity, or seasonal activity may accumulate 480 hours, all other employees 240 hours maximum. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory leave is calculated at one and one-half times the regular hours.

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

#### 8. Net Assets/Fund Equity

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

- ◆ **Invested in Capital Assets, Net of Related Debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted** – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

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

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission or its designee makes the determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

**Note 2 – Stewardship, Compliance, and Accountability**

**A. Budgets**

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds except the capital projects funds, which adopt project-length budgets. All appropriations lapse at fiscal year-end.

The State Legislature enacted Act Number 616, Acts of Alabama 1976 and then provided further under Act Number 79-466, Acts of Alabama, the statutory basis for the county budgeting operations for the Marshall County Commission. Under the terms of these laws, the Commission, at some meeting in September of each year, but in any event not later than the first meeting in October must estimate the Commission's revenues and expenditures and appropriate for the various purposes the respective accounts that are to be used for each purpose. The appropriations must not exceed the total revenues available for appropriation. Expenditures may not legally exceed appropriations.

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**B. Deficit Fund Balances/Net Assets of Individual Funds**

At September 30, 2012, the following governmental funds had a deficit fund balance:

Disaster Fund	<u>\$320,539.44</u>
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The deficit in the Disaster Fund occurred as a result of local matching revenues not transferred to the fund as of the end of the fiscal year. The Commission intends on transferring amounts from the General Fund once the grant is completely closed out to cover any deficit balances.

**Note 3 – Deposits and Investments**

**A. Deposits**

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

All of the Commission’s investments were in certificates of deposit. These certificates of deposit are classified as “Deposits” in order to determine insurance and collateralization. However, they are classified as “Investments” on the financial statements.

**B. Cash with Fiscal Agent**

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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The Commission adopted a Deposit and Investment Policy that requires all deposits to be placed in checking accounts or money market accounts covered by the SAFE Act for investments. Also, the Commission authorized investments in certificates of deposit that are covered by the SAFE Act and United States Treasury Notes.

As of September 30, 2012, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity
Federated U. S. Treasury Cash Reserves	<u>\$458,459.39</u>	Within One Year

The Federated U. S. Treasury Cash Reserves primarily invests in U. S. Treasury Obligations with an average maturity date of 90 days or less. The Fund is rated AAAM by Standard and Poor's and Aaa-mf by Moody's.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

**Credit Risk** – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. The Commission does not have a formal investment policy that limits the amount of exposure to credit risk. As of September 30, 2012, the Commission's investments in money market fund were rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service, Inc.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties. The funds transferred to meet the Commission's annual debt service requirements are invested until payments are made.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have an investment policy, which limits the amount of exposure to this risk.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2012**

**Note 4 – Receivables**

On September 30, 2012, receivables for the Commission’s individual major funds, other governmental funds and fiduciary funds in the aggregate are as follows:

	General Fund	Reappraisal Fund	Other Governmental Funds	Total
<b>Governmental Funds:</b>				
Accounts Receivable	\$ 1,981.96	\$53.95	\$	\$ 2,035.91
Due from Other Governments	1,562,693.76		561,000.75	2,123,694.51
Total	<u>\$1,564,675.72</u>	<u>\$53.95</u>	<u>\$561,000.75</u>	<u>\$2,125,730.42</u>

Due from Other Governments in the amount of \$1,561,584.72 from Alabama EMA as a result of the April 2011 disaster is considered long-term because it was received more than 90 days after revenue was accrued.

	Private-Purpose Trust Funds	Agency Funds	Total
<b>Fiduciary Funds:</b>			
Due from Other Governments	\$18,059.26	\$46,576.59	\$64,635.85
Total	<u>\$18,059.26</u>	<u>\$46,576.59</u>	<u>\$64,635.85</u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes Receivable	\$7,724,667.86	\$
Lease Receivable		445,666.20
Unearned Revenues		250,381.20
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$7,724,667.86</u>	<u>\$696,047.40</u>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2012**

**Note 5 – Capital Assets**

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance 10/01/2011	Additions (*)	Deletions (*)	Balance 09/30/2012
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 1,204,894.50	\$	\$	\$ 1,204,894.50
Construction in Progress	39,719.64	4,399.68	(39,719.64)	4,399.68
Total Capital Assets, Not Being Depreciated	<u>1,244,614.14</u>	<u>4,399.68</u>	<u>(39,719.64)</u>	<u>1,209,294.18</u>
Capital Assets Being Depreciated:				
Infrastructure – Bridges	6,025,656.31			6,025,656.31
Infrastructure – Roads	2,320,231.00			2,320,231.00
Buildings and Improvements	12,559,260.00	565,823.93		13,125,083.93
Motor Vehicles, Furniture and Equipment	9,738,395.49	888,166.65	(655,882.65)	9,970,679.49
Equipment Under Capital Lease	1,075,959.40	374,536.92	(85,659.80)	1,364,836.52
Total Capital Assets Being Depreciated	<u>31,719,502.20</u>	<u>1,828,527.50</u>	<u>(741,542.45)</u>	<u>32,806,487.25</u>
Less: Accumulated Depreciation for:				
Infrastructure – Bridges	(1,607,275.00)	(150,643.00)		(1,757,918.00)
Infrastructure – Roads	(665,990.00)	(24,178.00)		(690,168.00)
Buildings and Improvements	(6,049,166.00)	(337,916.00)		(6,387,082.00)
Motor Vehicles, Furniture, and Equipment	(7,216,971.00)	(868,898.00)	631,568.00	(7,454,301.00)
Equipment Under Capital Lease	(208,508.00)	(117,756.00)	59,960.00	(266,304.00)
Total Accumulated Depreciation	<u>(15,747,910.00)</u>	<u>(1,499,391.00)</u>	<u>691,528.00</u>	<u>(16,555,773.00)</u>
Total Capital Assets Being Depreciated, Net	<u>15,971,592.20</u>	<u>329,136.50</u>	<u>(50,014.45)</u>	<u>16,250,714.25</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 17,216,206.34</u>	<u>\$ 333,536.18</u>	<u>\$ (89,734.09)</u>	<u>\$ 17,460,008.43</u>
(*) Included in the Additions and Deletions columns are reclassifications of Construction in Progress to Buildings and Improvements totaling \$39,719.64 and for Equipment Under Capital Lease and the related accumulated depreciation totaling \$85,659.80 and \$59,960.00, respectively.				

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 330,043.00
Public Safety	383,449.00
Highway and Roads	687,569.00
Welfare	30,877.00
Culture and Recreation	7,493.00
Total Depreciation Expense – Governmental Activities	<u>\$1,439,431.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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#### Note 6 – Defined Benefit Pension Plan

##### A. Plan Description

The Commission contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees of the Commission are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Commission. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Retirees may also elect to receive a reduced retirement allowance (*Special Privileges at Retirement*) in order to provide an allowance to a designated beneficiary after the member's death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the *Code of Alabama 1975*, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems 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 36130-2150.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**B. Funding Policy**

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 7.25 percent (Effective 10/01/2011) of their salary to the Employees' Retirement System. Full-time law enforcement officers are required by statute to contribute 8.25 percent (Effective 10/01/2011) of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2012 was 9.04 percent based on the actuarial valuation performed as of September 30, 2009.

**C. Annual Pension Cost**

For the year ended September 30, 2012, the Commission's annual pension cost of \$424,622.77 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2011, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2011 was 30 years.

The following is three-year trend information for the Commission:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2012	\$424,623	100%	\$0
09/30/2011	\$600,512	100%	\$0
09/30/2010	\$552,614	100%	\$0

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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

As of September 30, 2011, the most recent actuarial valuation date, the plan was 69.9 percent funded. The actuarial accrued liability for benefits was \$22,218,624 and the actuarial value of assets was \$15,536,691, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,681,933. The covered payroll (annual payroll of active employees covered by the plan) was \$7,091,099, and the ratio of the UAAL to the covered payroll was 94.2 percent.

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### **Note 7 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

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

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

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2012. The Commission does not anticipate setting up a trust fund to fund its postemployment medical and life insurance plans.

The Commission contributes \$738.94 of the cost of current monthly premiums for eligible retirees for medical benefits for retirees less than 65 years of age. Retirees over 65 years of age are eligible for the Blue Cross Blue Shield of Alabama's C Plus Medicare Supplement Plan. With this plan, the Commission contributes \$125 of cost of current monthly premiums for eligible retirees and \$204 of cost of current monthly premiums for eligible disabled retirees. For fiscal year 2012, the Commission contributed \$303,420.84 to cover approximately seventy-eight participants.

Retired employees also may elect to participate in a life insurance plan. The Commission pays \$2.30 to \$4.60 per month for retirees depending on the age of the retiree. The Commission's expenditures for retirees' life insurance for the year ending September 30, 2012, to cover approximately seventy-eight participants, totaled \$2,991.00.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**C. Annual OPEB Cost**

For fiscal year 2012, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, drug, dental and life insurance was \$777,831.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$777,031.00	39.05%	\$2,407,447.00
2011	\$920,895.00	39.06%	\$1,933,837.30
2010	\$920,895.00	66.76%	\$1,372,691.50

The recent actuarial valuation as of September 30, 2012 for the Commission's other postemployment benefits reflects a significant decrease in the actuarial accrued liability from the previous actuarial valuation for September 30, 2010. The actuarial accrued liability decreased from \$9,119,900 to \$8,568,410 based on this latest actuarial valuation. Since the previous valuation, the County's policy has been changed to move Medicare eligible retirees from the County's self-insured health plan to Blue Cross Blue Shield of Alabama's C-Plus Plan.

**D. Funded Status and Funding Progress**

The funding status of the plan as of September 30, 2012, was as follows:

Actuarial Accrued Liability (AAL)	\$8,568,410.00
Actuarial Value of Plan Assets	\$0.00
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$8,568,410.00</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	\$4,378,823.00
UAAL as a Percentage of Covered Payroll	195.68%

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**E. Actuarial Methods and Assumptions**

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

The actuarial cost method used was the projected unit credit method. The actuarial assumptions included a four percent investment return assumption and an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 5.0% after five years. It was assumed that 100% percent of future retirees would elect medical, drug, and dental insurance coverage. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over thirty years.

**Note 8 – Contingent Liabilities**

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Marshall County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2012 amounted to \$20,127.91.

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

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**Note 9 – Lease Obligations**

**Capital Leases**

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$1,364,836.52 for governmental activities at September 30, 2012. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2012.

Fiscal Year Ending	Governmental Activities
September 30, 2013	\$352,126.59
2014	352,126.59
2015	84,262.25
2016	71,089.48
2017	20,083.50
Total Minimum Lease Payments	879,688.41
Less: Amount Representing Interest	(46,355.66)
Present Value of Net Minimum Lease Payments	<u>\$833,332.75</u>

**Note 10 – Long-Term Debt**

In June 2003, the Commission issued General Obligation Warrants/U.S.D.A. Loan for the purchase of a building to provide a public daycare center. On June 11, 2003, a lease agreement was entered into between the Commission and the Childcare Resource Network, Inc., for rental payments on the building. A lease receivable of \$445,666.20 is reflected in the financial statements at September 30, 2012. This amount is due and payable in excess of one year.

On November 1, 2010, the Commission issued General Obligation Warrants, Series 2010-A in the amount of \$5,160,000.00 to refund General Obligation Warrants, Series 2001.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2012:

	Debt Outstanding 10/01/2011	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2012	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Warrants Payable:</b>					
<b>General Obligation Warrants:</b>					
Series 2010-A	\$5,160,000.00	\$	\$(270,000.00)	\$4,890,000.00	\$430,000.00
U.S.D.A. Warrant/Loan	300,000.00		(10,000.00)	290,000.00	10,000.00
Sub-Total	5,460,000.00		(280,000.00)	5,180,000.00	440,000.00
Deferred Loss on Refunding	(283,110.51)		28,077.08	(255,033.43)	(28,077.08)
Unamortized Premium	234,115.38		(23,218.05)	210,897.33	23,218.05
Total Warrants Payable	5,411,004.87		(275,140.97)	5,135,863.90	435,140.97
<b>Other Liabilities:</b>					
Capital Lease Contracts Payable	775,331.85	374,533.92	(316,533.02)	833,332.75	326,704.60
Notes Payable	10,678.62		(10,678.62)		
<b>Estimated Liability for</b>					
Compensated Absences	453,450.75		(15,262.01)	438,188.74	43,818.87
Net Pension Obligation	1,933,837.30	473,610.00		2,407,447.30	
Total Governmental Activities					
Long-Term Liabilities	\$8,584,303.39	\$848,143.92	\$(617,614.62)	\$8,814,832.69	\$805,664.44

Payments on the warrants payable were made from the Debt Service Funds. These payments were made from transfers from the General Fund. In addition, the long-term notes payable are paid from the General Fund. The capital lease contracts payable are paid from the General Fund and from the Gasoline Tax Fund.

The compensated absences liability will be liquidated by several of the Commission's governmental funds. In the past, approximately 59% has been paid by the General Fund, 25% by the Gasoline Tax Fund, and the remainder by the other governmental funds.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2012**

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

Fiscal Year Ending	Governmental Activities						Total Principal and Interest Requirements to Maturity
	General Obligation Warrants Series 2010-A		General Obligation Warrants/U.S.D.A. Loan		Capital Lease Contracts Payable		
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2013	\$ 430,000.00	\$150,000.00	\$ 10,000.00	\$ 13,050.00	\$326,704.60	\$25,421.99	\$ 955,176.59
2014	440,000.00	141,300.00	10,000.00	12,600.00	337,184.02	14,942.57	956,026.59
2015	450,000.00	130,150.00	10,000.00	12,150.00	80,135.25	4,127.00	686,562.25
2016	465,000.00	116,425.00	10,000.00	11,700.00	69,346.56	1,742.92	674,214.48
2017	475,000.00	102,325.00	10,000.00	11,250.00	19,962.32	121.18	618,658.50
2018-2022	2,630,000.00	260,300.00	55,000.00	49,500.00			2,994,800.00
2023-2027			75,000.00	34,875.00			109,875.00
2028-2032			90,000.00	17,325.00			107,325.00
2033			20,000.00	900.00			20,900.00
Total	\$4,890,000.00	\$900,500.00	\$290,000.00	\$163,350.00	\$833,332.75	\$46,355.66	\$7,123,538.41

**Warrant Issuance Costs, Deferred Charges on Refunding, and Premium**

The Commission had warrant issuance costs, as well as warrant premium and deferred loss on refunding, in connection with the issuance of its 2010-A General Obligation Warrants. The issuance costs, warrant premium, and deferred loss are being amortized using the straight-line method.

	Issuance Costs	Premiums	Deferred Loss on Refunding
Balance Issuance Costs and Premium	\$76,312.45	\$234,115.38	\$283,110.51
Current Amount Amortized	(7,568.18)	(23,218.05)	(28,077.08)
Balance Issuance Costs and Premium	\$68,744.27	\$210,897.33	\$255,033.43

**Note 11 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$500,000 per claim for a maximum total coverage of \$2,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$100,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2012*

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

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission is self-insured with regard to employee health insurance. The Commission purchases insurance for claims in excess of the aggregate stop loss basis. The aggregate stop loss basis is determined annually based on the Commission's claim experience. An estimate of the claims liability is reported in the General Fund. The entire liability is included in the government-wide financial statements. These liabilities are based on estimates utilizing past experience.

The schedule below presents the changes in claims liabilities for the past three years for the employee health insurance:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2011-2012	\$137,795.00	\$2,670,617.73	\$2,633,293.73	\$175,119.00
2010-2011	\$156,999.50	\$1,749,006.22	\$1,768,210.72	\$137,795.00
2009-2010	\$162,668.10	\$2,431,827.33	\$2,437,495.93	\$156,999.50

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**Note 12 – Interfund Transactions**

**Due To/From Other Funds**

The amounts due to/from other funds at September 30, 2012, were as follows:

	Interfund Receivables General Fund	Total
<u>Interfund Payables:</u>		
Disaster Fund	\$1,882,124.16	\$1,882,124.16
Other Governmental Funds	151,421.51	151,421.51
Total	<u>\$2,033,545.67</u>	<u>\$2,033,545.67</u>

**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2012, were as follows:

	Transfers In		Total
	General Fund	Other Governmental Funds	Governmental Funds
<u>Transfers Out:</u>			
General Fund	\$	\$720,434.22	\$720,434.22
Other Governmental Funds	30,350.18	42,952.78	73,302.96
Total	<u>\$30,350.18</u>	<u>\$763,387.00</u>	<u>\$793,737.18</u>

**Note 13 – Related Organizations**

A majority of the members of the Board of the Marshall County Health Care Authority are appointed by the Marshall County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for this agency and this agency is not considered part of the Commission's financial reporting entity. This agency is considered a related organization of the County Commission.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2012***

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**Note 14 – Restatements**

The beginning fund balance for the Reappraisal Fund was restated to defer unearned revenues.

	General Fund	Disaster Fund	Reappraisal Fund	Other Governmental Funds	Total
Fund Balance, September 30, 2011, as Previously Reported	\$10,436,067.06	\$(573,255.46)	\$ 201,074.00	\$6,490,210.83	\$16,554,096.43
Restatements			(201,074.00)		(201,074.00)
Fund Balance, September 30, 2011, as Restated	<u>\$10,436,067.06</u>	<u>\$(573,255.46)</u>	<u>\$</u>	<u>\$6,490,210.83</u>	<u>16,353,022.43</u>
Net Assets, September 30, 2011, as Previously Reported					25,262,311.83
Restatements					(201,074.00)
Net Assets, September 30, 2011, as Restated					<u>\$25,061,237.83</u>

**Note 15 – Subsequent Events**

On October 28, 2013, the Marshall County Commission approved the issuance of the County's State Gasoline Tax Anticipation Warrants, Series 2013-A, in the amount of \$4,995,000. The warrants have an issue date of November 1, 2013, and the closing date is November 14, 2013. The interest rates range from 2% to 3.59%. The 4 cent gasoline tax is pledged for repayment of these warrants, and the maturity date for this issue is November 2033.

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*Required Supplementary Information*

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2012***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 5,630,121.74	\$ 5,630,121.74	\$ 5,815,107.74
Licenses and Permits	95,500.00	95,500.00	105,761.47
Intergovernmental	2,247,116.64	2,300,812.13	2,699,162.72
Charges for Services	1,438,800.00	1,441,800.00	1,434,878.52
Miscellaneous	46,327.40	968,636.85	1,301,119.36
Total Revenues	9,457,865.78	10,436,870.72	11,356,029.81
<b>Expenditures</b>			
Current:			
General Government	3,581,680.41	4,530,238.94	4,557,513.92
Public Safety	5,073,184.10	5,102,006.19	4,891,657.66
Highways and Roads			
Health	107,179.41	107,179.41	105,940.31
Welfare	166,719.99	171,038.87	165,444.13
Culture and Recreation		122,681.80	32,021.00
Education	65,000.00	65,000.00	66,250.00
Capital Outlay		273,822.38	425,513.00
Debt Service:			
Principal	20,938.93	20,938.93	20,938.93
Interest and Fiscal Charges	345.26	345.26	345.26
Intergovernmental	220,000.00	220,000.00	254,698.40
Total Expenditures	9,235,048.10	10,613,251.78	10,520,322.61
Excess (Deficiency) of Revenues Over Expenditures	222,817.68	(176,381.06)	835,707.20
<b>Other Financing Sources (Uses)</b>			
Transfers In	657,117.51	1,253,607.54	1,255,112.79
Sale of Capital Assets			31,012.01
Proceeds of Capital Leases			
Transfers Out	(767,935.19)	(1,071,765.04)	(1,023,076.42)
Total Other Financing Sources (Uses)	(110,817.68)	181,842.50	263,048.38
Net Change in Fund Balances	112,000.00	5,461.44	1,098,755.58
Fund Balances - Beginning of Year	94,578.66	94,578.66	4,983,311.43
Fund Balances - End of Year	\$ 206,578.66	\$ 100,040.10	\$ 6,082,067.01

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ 2,380,650.59	\$ 8,195,758.33
(1)		105,761.47
(1)	947,291.04	3,646,453.76
(1)	235,170.92	1,670,049.44
(1)	45,393.07	1,346,512.43
	<u>3,608,505.62</u>	<u>14,964,535.43</u>
(2)	(376,262.95)	4,933,776.87
(2)	(336,733.54)	5,228,391.20
(2)	(1,139,212.55)	1,139,212.55
(2)		105,940.31
(2)	(9,000.00)	174,444.13
(2)	(122,791.92)	154,812.92
(2)		66,250.00
(2)	(768,959.11)	1,194,472.11
(2)	(295,534.43)	316,473.36
(2)	(32,117.77)	32,463.03
		254,698.40
	<u>(3,080,612.27)</u>	<u>13,600,934.88</u>
	<u>527,893.35</u>	<u>1,363,600.55</u>
(3)	(1,224,762.61)	30,350.18
(3)	62,172.00	93,184.01
	374,533.92	374,533.92
(3)	302,642.20	(720,434.22)
	<u>(485,414.49)</u>	<u>(222,366.11)</u>
	42,478.86	1,141,234.44
(4)	<u>5,452,755.63</u>	<u>10,436,067.06</u>
	<u>\$ 5,495,234.49</u>	<u>\$ 11,577,301.50</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2012***

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

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

(1) Revenues	
Park Fund	\$ 137,827.00
Drug Enforcement Fund	239,147.78
Public Buildings, Roads, and Bridges Fund	2,435,959.55
Courthouse and Jail Fund	481,198.09
Law Library Fund	99,441.81
CDBG Fund	147,375.62
Emergency Management Fund	<u>67,555.77</u>
(2) Expenditures	
Park Fund	(122,791.92)
Drug Enforcement Fund	(223,598.72)
Public Buildings, Roads, and Bridges Fund	(2,223,933.52)
Courthouse and Jail Fund	(56,868.98)
Law Library Fund	(10,160.27)
CDBG Fund	(147,375.62)
Emergency Management Fund	<u>(295,883.24)</u>
(3) Other Financing Sources/(Uses), Net	
Park Fund	
Drug Enforcement Fund	(15,349.06)
Public Buildings, Roads, and Bridges Fund	(169,654.79)
Courthouse and Jail Fund	(442,858.85)
Law Library Fund	(85,680.00)
Emergency Management Fund	228,327.47
At-Risk Youth Grant Fund	<u>\$ (199.26)</u>

Net Increase in Fund Balance - Budget to GAAP

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

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\$ 3,608,505.62

(3,080,612.27)

(485,414.49)

\$ 42,478.86

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Reappraisal Fund  
For the Year Ended September 30, 2012***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 1,112,614.39	\$ 1,313,688.39	\$ 1,072,815.39
Miscellaneous			7,308.42
Total Revenues	1,112,614.39	1,313,688.39	1,080,123.81
<b>Expenditures</b>			
Current:			
General Government	1,106,502.59	1,248,584.49	1,028,381.71
Capital Outlay		58,992.10	51,742.10
Total Expenditures	1,106,502.59	1,307,576.59	1,080,123.81
Excess (Deficiency) of Revenues Over Expenditures	6,111.80	6,111.80	
Net Change in Fund Balances	6,111.80	6,111.80	
Fund Balances - Beginning of Year			
Fund Balances - End of Year	\$ 6,111.80	\$ 6,111.80	\$

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Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,072,815.39
	7,308.42
	<u>1,080,123.81</u>

	1,028,381.71
	51,742.10
	<u>1,080,123.81</u>

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\$	\$
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***Schedule of Funding Progress  
Defined Benefit Pension Plan  
For the Year Ended September 30, 2012***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2011***	\$15,536,691****	\$22,218,624	\$6,681,933	69.9%	\$7,091,099	94.2%
09/30/2010**	\$15,840,494	\$22,176,386	\$6,335,892	71.4%	\$7,152,782	88.6%
09/30/2009	\$15,871,513	\$20,229,667	\$4,358,154	78.5%	\$6,703,616	65.0%

- \* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- \*\* Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional .25% beginning October 1, 2012.
- \*\*\* Reflects changes in actuarial assumptions.
- \*\*\*\*Market Value of Assets as of September 30, 2011: \$13,277,023.

***Schedule of Funding Progress  
Other Postemployment Benefits  
For the Year Ended September 30, 2012***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2012	\$0.00	\$ 8,568,410	\$ 8,568,410	0%	\$4,378,823	195.68%
09/30/2010*	\$0.00	\$ 9,119,900	\$ 9,119,900	0%	\$5,614,521	162.43%
09/30/2008	\$0.00	\$21,042,415	\$21,042,415	0%	\$5,346,294	393.6%

\* Since the previous valuation, the County's policy has been changed to move Medicare eligible retirees from the County's self-insured plan to Blue Cross Blue Shield of Alabama C-Plus Plan. Additionally, retirement rates have been adjusted to reflect the discontinuance of the DROP.

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department Agriculture</u></b>		
<b><u>Direct Program</u></b>		
Emergency Watershed Protection Program	10.923	69-4101-12-0010
<b><u>U. S. Department of Housing and Urban Development</u></b>		
<b><u>Direct Program</u></b>		
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants (M)	14.251	B-08-SP-AL-0276
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Emergency Shelter Grants Program	14.231	ESG-11-003
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (M)	14.228	CY-CE-PF-10-007
Total U. S. Department of Housing and Urban Development		
<b><u>U. S. Department of Justice</u></b>		
<b><u>Direct Programs</u></b>		
State Criminal Alien Assistance Program	16.606	N/A
Justice Assistance Grant (JAG) Program Cluster: Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-1249
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-DJ-01-022
Sub-Total Justice Assistance Grant (JAG) Program Cluster (M)		
Violence Against Women Formula Grants	16.588	10-WF-PR-002
Violence Against Women Formula Grants	16.588	11-WF-PR-003
Sub-Total Violence Against Women Formula Grants		
<b><u>Passed Through Etowah County Commission</u></b>		
Public Safety Partnership and Community Policing Grants	16.710	N/A
Total U. S. Department of Justice		
<b><u>U. S. Department of Labor</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Workforce Investment Act (WIA) National Emergency Grants	17.277	0F200013
Total U. S. Department of Labor		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
05/09/2012-07/06/2012	\$ 105,309.00	\$ 94,778.00	\$ 34,557.88	\$ 34,557.88
03/24/2006-09/30/2015	117,600.00	117,600.00	109,036.68	109,036.68
09/01/2011-01/31/2013	86,000.00	43,000.00	28,232.69	28,232.69
11/22/2010-00/00/0000	372,500.00	250,000.00	147,375.62	147,375.62
	<u>576,100.00</u>	<u>410,600.00</u>	<u>284,644.99</u>	<u>284,644.99</u>
10/01/2011-09/30/2012	4,002.00	4,002.00	4,002.00	4,002.00
03/01/2009-02/28/2013	118,816.00	118,816.00	3,917.16	3,917.16
10/01/2011-09/30/2012	200,775.70	151,581.70	150,581.70	150,581.70
	<u>319,591.70</u>	<u>270,397.70</u>	<u>154,498.86</u>	<u>154,498.86</u>
10/01/2010-12/31/2011	103,517.72	77,638.08	17,730.83	17,730.83
01/01/2012-09/30/2012	77,046.00	77,046.00	59,893.94	59,893.94
	<u>180,563.72</u>	<u>154,684.08</u>	<u>77,624.77</u>	<u>77,624.77</u>
06/28/2010-06/15/2014	153,924.00	153,924.00	35,327.94	35,327.94
	<u>658,081.42</u>	<u>583,007.78</u>	<u>271,453.57</u>	<u>271,453.57</u>
05/16/2011-01/31/2012	86,526.48	86,526.48	11,465.70	11,465.70
	<u>86,526.48</u>	<u>86,526.48</u>	<u>11,465.70</u>	<u>11,465.70</u>
	\$ 1,426,016.90	\$ 1,174,912.26	\$ 602,122.14	\$ 602,122.14

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Transportation</u></b>		
<b><u>Passed Through Alabama Department of Transportation</u></b>		
Federal Transit - Capital Investment Grants	20.500	AL-04-0043-01
<b><u>Passed Through Etowah County Commission</u></b>		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	12-SP-PT-005
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	12-TF-AL-010
Safety Belt Performance Grant	20.609	12-TF-OP-007
Sub-Total Highway Safety Cluster		
Total U. S. Department of Transportation		
<b><u>General Services Administration</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
<b><u>U. S. Election Assistance Commission</u></b>		
<b><u>Passed Through the Alabama Secretary of State</u></b>		
Help America Vote Act Requirements Payment	90.401	2012-0036
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Passed Through Top of Alabama Regional Council of Governments</u></b>		
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	N/A
Aging Cluster:		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	N/A
Sub-Total Aging Cluster		
National Family Caregiver Support - Title III Part E	93.052	AC 12-11
Total U. S. Department of Health and Human Services		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 1,426,016.90	\$ 1,174,912.26	\$ 602,122.14	\$ 602,122.14
10/01/2011-09/30/2012	178,892.00	178,892.00	143,112.00	143,112.00
10/01/2011-09/30/2012	5,000.00	5,000.00	1,301.57	1,301.57
10/01/2011-09/30/2012	2,500.00	2,500.00	2,432.75	2,432.75
10/01/2011-09/30/2012	2,000.00	2,000.00	1,310.23	1,310.23
	<u>9,500.00</u>	<u>9,500.00</u>	<u>5,044.55</u>	<u>5,044.55</u>
	<u>188,392.00</u>	<u>188,392.00</u>	<u>148,156.55</u>	<u>148,156.55</u>
10/01/2011-09/30/2012			77,939.26	77,939.26
10/01/2011-09/30/2012	107,877.13	107,877.13	53,695.49	53,695.49
10/01/2011-09/30/2012	484.00	484.00	484.00	484.00
10/01/2011-09/30/2012	63,401.00	63,401.00	63,401.00	63,401.00
10/01/2011-09/30/2012	54,479.00	54,479.00	54,479.00	54,479.00
	<u>117,880.00</u>	<u>117,880.00</u>	<u>117,880.00</u>	<u>117,880.00</u>
10/01/2011-09/30/2012	448.00	448.00	448.00	448.00
	<u>118,812.00</u>	<u>118,812.00</u>	<u>118,812.00</u>	<u>118,812.00</u>
	\$ 1,841,098.03	\$ 1,589,993.39	\$ 1,000,725.44	\$ 1,000,725.44

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Homeland Security</u></b>		
<b><u>Direct Program</u></b>		
Port Security Grant Program	97.056	2010-PU-T0-0025
<b><u>Passed Through Alabama Department of Homeland Security</u></b>		
Homeland Security Grant Program	97.067	0MAL
Homeland Security Grant Program	97.067	9NRL
Homeland Security Grant Program	97.067	9MAL
Homeland Security Grant Program	97.067	0CCL
Homeland Security Grant Program	97.067	0SHL
Sub-Total Homeland Security Grant Program		
Interoperable Emergency Communications	97.055	9PEQ
Emergency Operations Center (M)	97.052	0EOC
<b><u>Passed Through Alabama Emergency Management Agency</u></b>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1971-DR-AL
Hazard Mitigation Grant	97.039	DR 1974-116
Hazard Mitigation Grant	97.039	DR 1974-125
Hazard Mitigation Grant	97.039	DR 1974-134
Hazard Mitigation Grant	97.039	DR 1974-144
Hazard Mitigation Grant	97.039	DR 1974-153
Hazard Mitigation Grant	97.039	DR 1974-224
Hazard Mitigation Grant	97.039	DR 1971-006
Hazard Mitigation Grant	97.039	DR 1836-0002
Hazard Mitigation Grant	97.039	DR 1908-00007
Sub-Total Hazard Mitigation Grant (M)		
Emergency Management Performance Grants	97.042	1 EMS
Emergency Management Performance Grants	97.042	2EMF
Sub-Total Emergency Management Performance Grants		
Total U. S. Department of Homeland Security		

Total Expenditures of Federal Awards

(M) = Major Program

(N) = Non-Cash Assistance

N/A = Not Applicable or Not Available

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 1,841,098.03	\$ 1,589,993.39	\$ 1,000,725.44	\$ 1,000,725.44
06/10/2010-05/31/2013	181,612.00	181,612.00	12,380.00	12,380.00
09/13/2010-07/31/2012	6,227.94	6,227.94	6,227.94	6,227.94
03/01/2012-05/01/2012	16,000.00	16,000.00	15,982.00	15,982.00
08/01/2009-12/31/2011	14,430.00	14,430.00	10,386.78	10,386.78
09/13/2010-07/31/2012	20,800.00	20,800.00	4,595.55	4,595.55
09/13/2010-09/15/2012	54,890.00	54,890.00	40,503.35	40,503.35
	112,347.94	112,347.94	77,695.62	77,695.62
01/04/2012-04/30/2012	30,000.00	30,000.00	30,000.00	30,000.00
06/01/2010-05/31/2013	187,500.00	187,500.00	187,500.00	187,500.00
	5,457,468.77	4,410,141.52	61,356.05	61,356.05
03/19/2012-03/18/2015	148,138.00	103,953.00	65,892.50	65,892.50
03/19/2012-03/18/2015	62,654.00	44,956.00	19,646.25	19,646.25
02/16/2012-02/15/2015	151,810.00	104,420.00	77,443.29	77,443.29
07/02/2012-07/01/2015	143,578.00	100,040.00	11,321.25	11,321.25
03/01/2012-02/28/2015	150,072.00	103,142.00	81,100.00	81,100.00
04/13/2012-04/12/2015	145,587.00	101,144.00	79,260.00	79,260.00
10/04/2011-10/03/2014	34,024.00	25,518.00	21,151.14	21,151.14
08/29/2011-12/12/2013	80,671.00	59,753.00	52,189.40	52,189.40
03/29/2012-03/28/2015	93,201.00	69,901.00	3,299.77	3,299.77
	798,943.00	563,918.00	411,303.60	411,303.60
10/01/2011-09/30/2012	12,000.00	12,000.00	12,000.00	12,000.00
10/01/2011-05/31/2013	51,358.00	51,358.00	51,358.00	51,358.00
	63,358.00	63,358.00	63,358.00	63,358.00
	6,831,229.71	5,548,877.46	843,593.27	843,593.27
	\$ 8,672,327.74	\$ 7,138,870.85	\$ 1,844,318.71	\$ 1,844,318.71

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2012***

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**Note 1 – Basis of Presentation**

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

**Note 2 – CDBG Program**

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

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2011 through September 30, 2012***

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<b>Commission Members</b>		<b>Term Expires</b>
Hon. James Hutcheson	Chairman	2014
Hon. William Stricklend, III	Commissioner	2014
Hon. James Maze	Commissioner	2012
Hon. Richard Kilgore	Commissioner	2012
Hon. Tamey Hale	Commissioner	2014
<b><u>Administrative Personnel</u></b>		
Shelly Fleisher	County Administrator	Indefinite

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

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We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission (the “Commission”) as of and for the year ended September 30, 2012, which collectively comprise the Commission’s basic financial statements and have issued our report thereon dated January 27, 2014. 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.

***Internal Control Over Financial Reporting***

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

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**Compliance and Other Matters**

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

The Commission's response to the finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Marshall County Commission, the County Administrator, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

January 27, 2014

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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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**Independent Auditor's Report**

**Compliance**

We have audited the Marshall County Commission's (the "Commission") compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Commission's major federal programs for the year ended September 30, 2012. The Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the 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, 2012.

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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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**Internal Control Over Compliance**

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-02 to be a material weakness.

The Marshall County Commission's response to the finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. We did not audit the Commission's response, and accordingly, we express no opinion on the response.

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***Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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This report is intended solely for the information and use of management, members of the Marshall County Commission, the County Administrator, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

January 27, 2014

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2012***

**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unqualified

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

Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

**Federal Awards**

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

Significant deficiency(ies) identified? \_\_\_\_\_ Yes     X  None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii
14.251	Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants
16.804 and 16.738	Justice Assistance Grant (JAG) Program Cluster
97.039	Hazard Mitigation Grant
97.052	Emergency Operations Center

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes     X  No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2012***

**Section II – Financial Statement Findings (GAGAS)**

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

**Section III – Federal Awards Findings and Questioned Costs**

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2012-02	97.052	U. S. Department of Homeland Security; Passed through Alabama Department of Homeland Security; Emergency Operations Center; 06/01/2010 through 05/31/2013	<p><b><u>Finding:</u></b>            For federal programs, the Davis-Bacon Act requires contractors or subcontractors responsible for construction projects to pay employees no less than the prevailing wages and fringe benefits paid on projects of similar character determined by the Department of Labor. The Commission entered into a contract under the Emergency Operations Center grant; however the requirements for the Davis-Bacon Act were not included in the contract. Additionally, the Commission did not ensure the provisions of the wages and fringe benefits under the Davis-Bacon Act were followed.</p> <p><b><u>Recommendation:</u></b>            The Commission should ensure provisions of the Davis-Bacon Act are followed for all applicable federal programs.</p>	

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*Auditee Response/Corrective Action Plan*

# MARSHALL COUNTY COMMISSION



CHAIRMAN  
JAMES HUTCHESON

COUNTY ADMINISTRATOR  
SHELLY FLEISHER

COUNTY ENGINEER  
BOB PIRANDO

DISTRICT 1  
WILLIAM H. STRICKLEND, III

DISTRICT 2  
R.E. MARTIN

DISTRICT 3  
C.W. "BUDDY" ALLEN

DISTRICT 4  
TAMEY HALE

February 6, 2014

Ronald L. Jones, Chief Examiner  
State of Alabama  
Department of Examiners of Public Accounts  
P O Box 302251  
Montgomery, AL 36130-2251

Dear Sir:

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## *Corrective Action Plan*

### *For the Year Ended September 30, 2012*

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As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .315 (c), the Marshall County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2012.

Finding  
Ref  
No.

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Corrective Action Plan Details

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2012-02

**Finding #2012-02:** For federal programs, the Davis-Bacon Act requires contractors or subcontractors responsible for construction projects to pay employees no less than the prevailing wages and fringe benefits paid on projects of similar character determined by the Department of Labor. The Commission entered into a contract under the Emergency Operations Center grant; however the requirements for the Davis-Bacon Act were not included in the contract. Additionally, the Commission did not ensure the provisions of the wages and fringe benefits under the Davis-Bacon Act were followed.

**Response:** The Commission will ensure that any future construction projects using federal funds will abide by the provisions of the Davis-Bacon Act.

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***Other Matters in schedule of State and Local Compliance and  
Other Findings  
For the Year Ended September 30, 2012***

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2012-01

**Finding #2012-01:** Public works, as provided by the *Code of Alabama 1975*, Section 39-2-1, defined as “the construction, installation, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, curbs, gutters, sidewalks, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, installed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the form of lease payment or otherwise.” Public Work contracts which equal or exceed \$50,000.00 in value and meet the definition of public works fall under the provisions of the Public Works Law. The Public Works Law also requires a performance bond and a payment bond be executed on the person awarded the bid. Additionally, upon completion of the contract, the contractor shall give notice of completion by an advertisement in a newspaper of general circulation. The Commission entered into a contract for a storm shelter totaling \$69,692.00 which met the definition of public works; however, performance bonds and payment bonds were not obtained and an advertisement of notice of completion was not available for review.

**Response:** The Commission will ensure that future public works projects will be bid out as such and the bond and advertisement requirements of the Public Works Law are met.

Sincerely,

A handwritten signature in black ink, appearing to read 'James Hutcheson', with a long horizontal line extending to the right.

James Hutcheson  
Chairman