

Report on the

Marshall County Commission

Marshall County, Alabama

October 1, 2012 through September 30, 2013

Filed: January 16, 2015



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

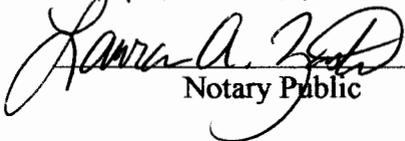
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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

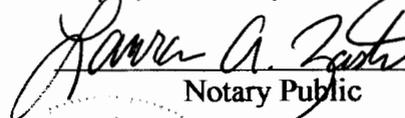
Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Marshall County Commission, Marshall County, Alabama, for the period October 1, 2012 through September 30, 2013.

Sworn to and subscribed before me this
the 19 day of November, 2014.



Notary Public

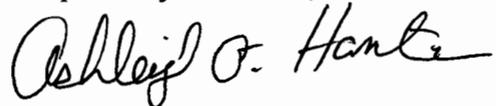
Sworn to and subscribed before me this
the 19 day of November, 2014.



Notary Public

My Commission Expires 01/30/2017

Respectfully submitted,



Ashleigh O. Hamilton
Examiner of Public Accounts



William Helms
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Marshall County Commission
October 1, 2012 through September 30, 2013**

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 15. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of 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 unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2013.

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.

UNRESOLVED PRIOR FINDING

- ◆ 2012-001 relates to the Commission's failure to follow the Alabama Public Works Law.

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; R. E. Martin and Tamey Hale. The following individuals attended the exit conference, held at the Commission's office: Shelly Fleisher, County Administrator; James Hutcheson, Chairman; and Commissioners: William Strickland, III and R. E. Martin; and representatives of the Department of Examiners of Public Accounts: Randy O'Bannon, Audit Manager; Ashleigh O. Hamilton, Examiner of Public Accounts; and William Helms, Examiner of Public Accounts.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2013

Ref. No.	Finding/Noncompliance
2012-001	<p><u>Finding:</u> 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, side walls, 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><u>Recommendation:</u> The Commission should ensure compliance with the <i>Code of Alabama 1975</i>, Section 39-2-1 for the Public Works Law.</p>

Independent Auditor's Report

Independent Auditor's Report

To: Members of the Marshall County Commission and County Administrator

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Marshall County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, (Exhibits 9 through 11), and the Schedules of Funding Progress (Exhibits 12 and 13), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 14) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 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* in considering Marshall County Commission's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 19, 2014

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, 2013 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 Position and Changes in Net Position are presented in a condensed version in Tables I & II.

- The Commission's net position is \$28,365,731.58 representing an increase from fiscal year 2012 of \$1,876,574.01.
- The Commission's program revenues for governmental programs (excluding transfers) were \$9,240,693.12, a decrease of \$867,736.26 from fiscal year 2012.
- Total expenses for the Commission were \$20,279,166.84 for governmental activities representing a decrease \$2,645,897.49 from fiscal year 2012.
- Under the guidelines of GASB 34, accumulated depreciation was \$17,377,310.00.

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 position presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

- The statement of activities presents information showing how the Commission's net position 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 position 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 position and a statement of changes in fiduciary net position. 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 position of the Commission for fiscal year 2013 was \$28,365,731.58 and \$26,489,157.57 for fiscal year 2012 representing an increase in net position of \$1,876,574.01. Net position of the Commission are summarized and analyzed below:

NET POSITION September 30, 2013

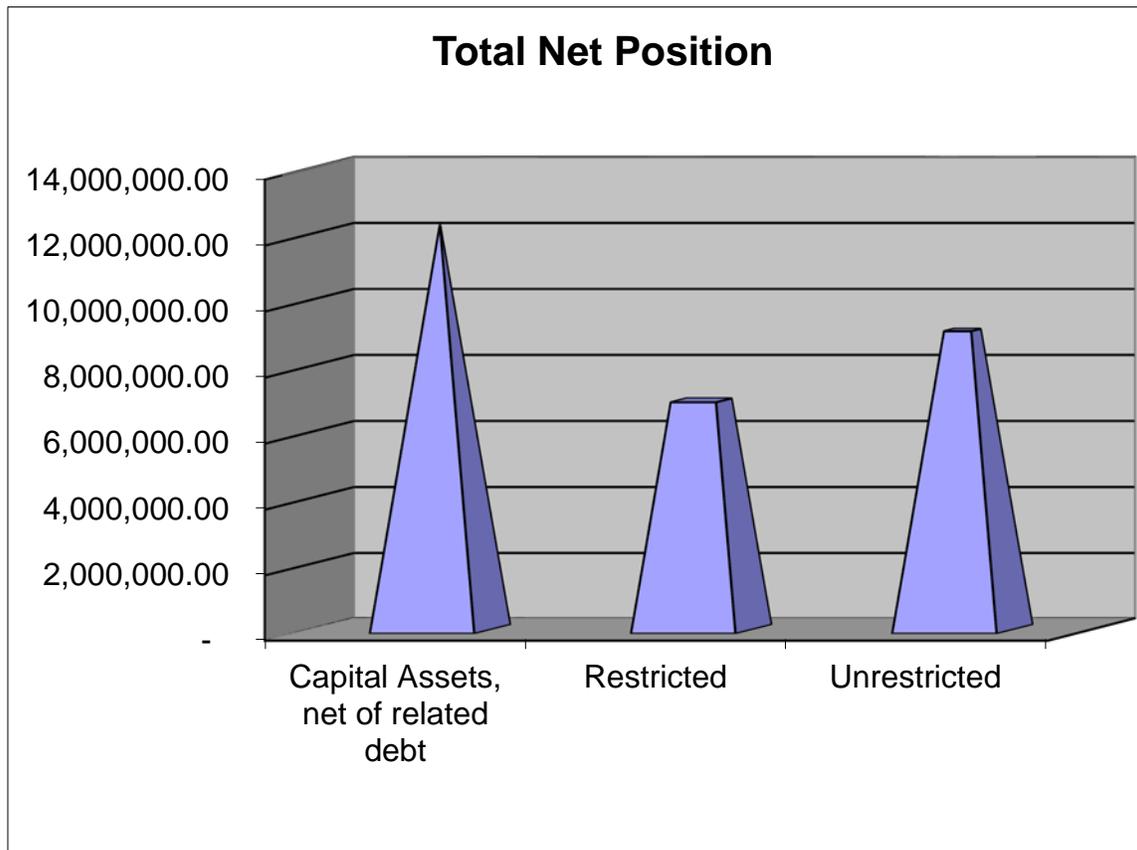
	2013	2012
Current and other assets	\$ 29,074,621.63	\$ 27,414,804.58
Capital Assets	17,541,028.07	17,460,008.43
Total Assets	\$ 46,615,649.70	\$ 44,874,813.01
Long-term debt outstanding	8,611,452.17	8,814,832.69
Other Liabilities	9,638,465.95	9,570,822.75
Total Liabilities	\$ 18,249,918.12	\$ 18,385,655.44
Net Position		
Net Investment in capital assets	12,296,827.48	11,559,556.05
Restricted	6,969,276.26	5,969,146.47
Unrestricted	9,099,627.84	8,960,455.05
Total Net Position	\$ <u>28,365,731.58</u>	\$ <u>26,489,157.57</u>

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. Assets exceeded liabilities by \$28,365,731.58 as of September 30, 2013. This was an increase of \$1,876,574.01 from fiscal year 2012. The increase in net position can be attributed to a decrease in general expenditures.

The largest portion of the Commission's net position, \$12,296,827.48 or 43%, 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 position, \$9,099,627.84 or 32%, 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 position, \$6,969,276.26 or 25%, represents resources that are subject to external restrictions on how they may be used.



**CHANGES IN NET POSITION
SEPTEMBER 30, 2013**

	Governmental Activities	
	2013	2012
Revenue		
Program Revenues:		
Charges for Services	1,931,344.57	1,870,313.45
Operating Grants & Contributions	6,694,779.02	7,577,297.40
Capital Grants & Contributions	614,569.53	660,818.54
General Revenues:		
Property Taxes for General Purpose	7,398,351.97	7,250,834.87
Property Taxes for Specific Purpose	1,139,142.16	1,246,195.22
Gasoline Sales Tax	508,886.46	492,821.28
General Sales Tax		
Grants & Contribution not Restricted for Specific Purpose	203,281.38	201,768.09
Miscellaneous Taxes	806,257.56	1,189,648.70
TVA in Lieu of Taxes	1,963,104.32	2,367,578.94
Interest Earned	14,605.62	10,042.60
Miscellaneous	747,275.88	1,416,795.62
Gain on Disposition of Capital Assets	134,142.38	68,869.36
Total Revenue	22,155,740.85	24,352,984.07
Expense		
General Government	5,968,958.11	6,864,527.14
Public Safety	6,866,848.14	7,399,379.47
Highways & Roads	5,940,688.09	6,988,246.08
Sanitation		0
Health	98,638.71	108,361.90
Welfare	525,576.57	504,019.74
Culture & Recreation	342,429.02	459,707.16
Education	65,000.00	66,250.00
Interest & Fiscal Charges on Long-Term Debt	192,821.29	275,956.68
Intergovernmental	278,206.91	258,616.16
Total Expense	20,279,166.84	22,925,064.33
Increase in net position	1,876,574.01	1,427,919.74
Net Position – Beginning of Year	26,489,157.57	25,061,237.83
Net Position – End of Year	<u>28,365,731.58</u>	<u>26,489,157.57</u>

The Commission's total revenue for fiscal year 2013 was \$22,155,740.85 with approximately 39% from ad valorem taxes, 2% from county gasoline tax, 3% from miscellaneous taxes, 9% from charges for services, and 3% from interest earned/miscellaneous. Approximately 34% of the total revenue is represented by grants and contributions.

The total expenditures for the fiscal year 2013, excluding transfers, were \$20,279,166.84. Expenditures by functions are as follows: General Government 29%, Public Safety 33%, Highways and Roads 29%, Welfare 3% and Sanitation, Health, Culture and Recreation, Education, Interest & Fiscal Charges and Intergovernmental 6%.

The Commission was able to fully fund all fiscal year 2013 costs and increase total net position by \$1,876,574.01.

Governmental Activities

	Total Cost of Services	Net Cost of Services
General Government	5,968,958.11	2,908,292.35
Public Safety	6,866,848.14	5,173,283.10
Highway and Roads	5,940,688.09	2,375,194.84
Other Programs	1,502,672.50	581,703.43
Total	20,279,166.84	11,038,473.72

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 (as restated)	11,256,761.46	472,873.85	11,729,635.31
Capital Improvement	2,836,258.75	381,505.52	3,217,764.27
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 \$472,873.85. This is a result of revenues exceeding budgeted amounts and expenditures coming in under budget.

Capital Improvement Fund – the fund used to account for the revenue that is received from the Alabama Trust Fund for capital improvements. At the end of the fiscal year the fund balance increased \$381,505.52. This is a result of anticipated revenues received and minimal activity budgeted.

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, 2013.

CAPITAL ASSETS	
Land	1,410,139.00
Construction In Progress	549,937.20
Infrastructure	8,345,887.31
Buildings & Improvements	13,261,921.11
Motor Vehicles, Furniture & Equipment	9,887,591.33
Assets Under Capital Leases	1,462,862.12
Less: Accumulated Depreciation	<u>(17,377,310.00)</u>
Total Capital Assets, net of depreciation	<u>17,541,028.07</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, 2013 the outstanding balance of the County's general obligation warrants was \$4,460,000.00, a decrease of \$430,000.00 from fiscal year 2012.

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, 2013 is \$280,000.00.

LONG-TERM DEBT

Capital Lease Contracts	604,653.75
Warrants Payable	4,740,000.00
Deferred Loss on Refunding	(226,956.35)
Unamortized Premium	187,679.28
Estimated Liability for Compensated Absences	418,770.59
Net Pension Obligation	2,887,304.90
Total long-term debt	<u>8,611,452.17</u>

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 2014.
- In FY 2013, the unemployment rate in Marshall County continued to move in the right direction. The average rate for 2013 was 6.1%. This can be compared to a 20 year high of 10.0% in January 2010 and an average rate of 7.0 in 2012. The average rate for the State of Alabama in 2013 was 6.4%.
- In 2013, Southern Parallel announced they would reopen the former Bowater Lumber Mill in Albertville. Bowater shut down in 2009, laying off about 85. By year's end, Southern Parallel employed 175. Also, in 2013, Newman Technology of Alabama announced and began a \$29 million expansion that will take their employment to 200 by May 2014.

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 Position
September 30, 2013

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 16,058,350.52
Cash with Fiscal Agent	464,048.40
Investments	1,825,761.54
Receivables (Note 4)	2,121,059.43
Long-Term Receivables (Note 4)	304,596.17
Ad Valorem Taxes Receivable	7,798,444.93
Lease Receivable	422,766.12
Inventories	18,015.90
Prepaid Items	402.53
Deferred Charges	61,176.09
Capital Assets (Note 5):	
Nondepreciable	1,960,076.20
Depreciable, Net	15,580,951.87
Total Assets	<u>46,615,649.70</u>
Liabilities	
Payables	887,258.32
Deferred Revenue	8,688,475.67
Accrued Interest Payable	62,731.96
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Capital Lease Contracts Payable	369,163.13
Warrants Payable	450,000.00
Deferred Loss on Refunding	(28,077.08)
Unamortized Premium	23,218.05
Estimated Liability for Compensated Absences	41,877.06
Portion Due or Payable After One Year:	
Capital Lease Contracts Payable	235,490.62
Warrants Payable	4,290,000.00
Deferred Loss on Refunding	(198,879.27)
Unamortized Premium	164,461.23
Estimated Liability for Compensated Absences	376,893.53
Other Post Employment Benefit Obligation	2,887,304.90
Total Liabilities	<u>\$ 18,249,918.12</u>

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

	Governmental Activities
<u>Net Position</u>	
Net Investment in Capital Assets	\$ 12,296,827.48
Restricted for:	
Capital Projects	3,171,376.44
Road Projects	2,624,277.36
Debt Service	409,238.57
Other Purposes	764,383.89
Unrestricted	<u>9,099,627.84</u>
Total Net Position	<u>\$ 28,365,731.58</u>

Statement of Activities
For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
General Government	\$ 5,968,958.11	\$ 1,795,334.01	\$ 1,265,331.75
Public Safety	6,866,848.14	20,492.88	1,140,556.45
Highways and Roads	5,940,688.09	21,094.43	3,544,398.82
Health	98,638.71		20,168.38
Welfare	525,576.57		724,323.62
Culture and Recreation	342,429.02	94,423.25	
Education	65,000.00		
Interest on Long-Term Debt	192,821.29		
Intergovernmental	278,206.91		
Total Governmental Activities	<u>\$ 20,279,166.84</u>	<u>\$ 1,931,344.57</u>	<u>\$ 6,694,779.02</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 Position

Net Position - Beginning of Year

Net Position - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities</u>
\$ 532,515.71	\$ (2,908,292.35)
	(5,173,283.10)
	(2,375,194.84)
	(78,470.33)
82,053.82	280,800.87
	(248,005.77)
	(65,000.00)
	(192,821.29)
	(278,206.91)
<u>\$ 614,569.53</u>	<u>(11,038,473.72)</u>

7,398,351.97
1,139,142.16
508,886.46
806,257.56
1,963,104.32
203,281.38
14,605.62
134,142.38
747,275.88
<u>12,915,047.73</u>
1,876,574.01
26,489,157.57
<u>\$ 28,365,731.58</u>

Balance Sheet
Governmental Funds
September 30, 2013

	General Fund	Capital Improvement Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 8,596,631.44	\$ 3,217,764.27
Cash with Fiscal Agent		
Investments	1,825,761.54	
Receivables (Note 4)	1,252,540.27	
Long-Term Receivables (Note 4)	304,596.17	
Ad Valorem Taxes Receivable	6,660,463.40	
Interfund Receivables	463,582.95	
Lease Receivable		
Inventories	18,015.90	
Prepaid Items	402.53	
Total Assets	<u>19,121,994.20</u>	<u>3,217,764.27</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Payables	731,895.49	
Interfund Payables		
Deferred Revenue	6,660,463.40	
Total Liabilities	<u>7,392,358.89</u>	
<u>Fund Balances</u>		
Nonspendable:		
Prepaid Items	402.53	
Inventories	18,015.90	
Restricted for:		
Road Surface Repairs		
Capital Projects		3,171,376.44
Debt Service		
Local Officials		
Other Purposes	415,948.42	
Assigned:		
Road Surface Repairs		
Capital Projects		46,387.83
Other Purposes		
Unassigned	11,295,268.46	
Total Fund Balances	<u>11,729,635.31</u>	<u>3,217,764.27</u>
Total Liabilities and Fund Balances	<u>\$ 19,121,994.20</u>	<u>\$ 3,217,764.27</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 373,102.76	\$ 3,870,852.05	\$ 16,058,350.52
	464,048.40	464,048.40
		1,825,761.54
50.42	868,468.74	2,121,059.43
		304,596.17
1,087,151.57	50,829.96	7,798,444.93
		463,582.95
	422,766.12	422,766.12
		18,015.90
		402.53
<u>1,460,304.75</u>	<u>5,676,965.27</u>	<u>29,477,028.49</u>
1,014.81	154,348.02	887,258.32
	463,582.95	463,582.95
1,459,289.94	568,722.33	8,688,475.67
<u>1,460,304.75</u>	<u>1,186,653.30</u>	<u>10,039,316.94</u>
		402.53
		18,015.90
	2,624,277.36	2,624,277.36
		3,171,376.44
	471,970.53	471,970.53
	177,711.36	177,711.36
	170,724.11	586,672.53
	985,994.24	985,994.24
		46,387.83
	59,634.37	59,634.37
		11,295,268.46
	<u>4,490,311.97</u>	<u>19,437,711.55</u>
<u>\$ 1,460,304.75</u>	<u>\$ 5,676,965.27</u>	<u>\$ 29,477,028.49</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2013***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 19,437,711.55

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

Capital assets used in governmental activities are not financial resources and therefore
are not reported as assets in governmental funds. (See Note 5.)

Nondepreciable	\$ 1,960,076.20	
Depreciable, Net	15,580,951.87	17,541,028.07

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 Position.

Deferred Charges	61,176.09
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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	\$ 450,000.00	4,290,000.00	
Unamortized Premium	23,218.05	164,461.23	
Deferred Loss on Early Retirement of Debt	(28,077.08)	(198,879.27)	
Interest Payable	62,731.96		
Capital Lease Contracts Payable	369,163.13	235,490.62	
Estimated Liability for Compensated Absences	41,877.06	376,893.53	
Other Post Employment Benefit Obligation		2,887,304.90	
Total Long-Term Liabilities	\$ 918,913.12	\$ 7,755,271.01	(8,674,184.13)

Total Net Position - Governmental Activities (Exhibit 1)	\$ 28,365,731.58
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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, 2013

	General Fund	Capital Improvement Fund
<u>Revenues</u>		
Taxes	\$ 8,277,753.39	\$
Licenses and Permits	140,917.19	
Intergovernmental	3,206,391.07	1,144,353.48
Charges for Services	1,688,400.36	
Miscellaneous	274,189.82	2,086.69
Total Revenues	<u>13,587,651.83</u>	<u>1,146,440.17</u>
<u>Expenditures</u>		
Current:		
General Government	4,195,897.15	43,250.00
Public Safety	5,390,002.00	2,460.15
Highways and Roads	1,279,835.54	
Health	96,127.31	
Welfare	180,321.20	
Culture and Recreation	175,551.90	
Education	65,000.00	
Capital Outlay	627,505.58	179,944.50
Debt Service:		
Principal Retirement	326,704.60	
Interest and Fiscal Charges	25,421.97	
Intergovernmental	278,206.91	
Total Expenditures	<u>12,640,574.16</u>	<u>225,654.65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>947,077.67</u>	<u>920,785.52</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	29,420.35	
Sale of Capital Assets	230,502.51	
Proceeds from Capital Leases	98,025.60	
Transfers Out	(832,152.28)	(539,280.00)
Total Other Financing Sources (Uses)	<u>(474,203.82)</u>	<u>(539,280.00)</u>
Net Changes in Fund Balances	472,873.85	381,505.52
Fund Balances - Beginning of Year, as Restated (Note 15)	<u>11,256,761.46</u>	<u>2,836,258.75</u>
Fund Balances - End of Year	<u>\$ 11,729,635.31</u>	<u>\$ 3,217,764.27</u>

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,003,500.82	\$ 935,024.68	\$ 10,216,278.89
		140,917.19
	5,218,551.27	9,569,295.82
	61,008.33	1,749,408.69
2,330.50	67,090.87	345,697.88
<u>1,005,831.32</u>	<u>6,281,675.15</u>	<u>22,021,598.47</u>
1,019,326.32	241,751.18	5,500,224.65
	958,226.49	6,350,688.64
	3,885,722.25	5,165,557.79
		96,127.31
	282,348.87	462,670.07
	157,268.65	332,820.55
		65,000.00
	799,811.69	1,607,261.77
	440,000.00	766,704.60
	164,100.00	189,521.97
		278,206.91
<u>1,019,326.32</u>	<u>6,929,229.13</u>	<u>20,814,784.26</u>
<u>(13,495.00)</u>	<u>(647,553.98)</u>	<u>1,206,814.21</u>
4,225.00	1,371,432.28	1,405,077.63
9,270.00	53,570.00	293,342.51
		98,025.60
	(33,645.35)	(1,405,077.63)
<u>13,495.00</u>	<u>1,391,356.93</u>	<u>391,368.11</u>
	743,802.95	1,598,182.32
	3,746,509.02	17,839,529.23
<u>\$</u>	<u>\$ 4,490,311.97</u>	<u>\$ 19,437,711.55</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, 2013

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,598,182.32

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	\$ 1,607,261.77	
Depreciation Expense	<u>(1,367,042.00)</u>	
		240,219.77

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 position differs from the change in fund balance by the cost of the capital assets sold.

Proceeds from the Sale of Capital Assets	\$ (293,342.51)	
Gain on Disposition of Capital Assets	<u>134,142.38</u>	
		(159,200.13)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 766,704.60

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 in the case of discounts and issuance costs.

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

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

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

Net Decrease in Estimated Liability for Compensated Absences	\$	19,418.15	
Net Increase in OPEB Obligation		(479,857.60)	
Net Decrease in Accrued Interest Payable		<u>1,559.71</u>	
Net Adjustment			(458,879.74)

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 Position, capital leases increase long term liabilities and does not affect the Statement of Activities.

(98,025.60)

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 1,876,574.01

Statement of Fiduciary Net Position
September 30, 2013

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 553,813.34	\$ 107,734.45
Receivables (Note 4)	21,580.76	42,056.89
Prepaid Items	250.00	
Total Assets	<u>575,644.10</u>	<u>149,791.34</u>
<u>Liabilities</u>		
Payable to External Parties	373,942.67	149,791.34
Total Liabilities	<u>373,942.67</u>	<u>\$ 149,791.34</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	201,701.43	
Total Net Position	<u>\$ 201,701.43</u>	

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

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2013***

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Worthless Check Collection Service Charges	\$ 198,738.33
State Grants	85,349.16
Legislature	3,000.00
Child Protection	27,601.41
Miscellaneous	19,004.00
Interest	17,040.12
Total Additions	<u>350,733.02</u>
<u>Deductions</u>	
Administrative Expenses	<u>313,303.35</u>
Total Deductions	<u>313,303.35</u>
Change in Net Position	37,429.67
Net Position - Beginning of Year	<u>164,271.76</u>
Net Position - End of Year	<u>\$ 201,701.43</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2013

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2013

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.
- ◆ **Capital Improvement Fund** – This fund is used to account for the revenue that is received from the Alabama Trust Fund for the purpose of assisting in the restoration and improvement of county government buildings, bridges, roads, streets and other facilities and to promote the health, safety and public welfare of the citizens.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures related to the county's reappraisal program.

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

Governmental Fund Types

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

Notes to the Financial Statements

For the Year Ended September 30, 2013

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

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

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

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2013

D. Assets, Liabilities, and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit. Investments are reported at fair value, except for certificates of deposit, which are reported at cost.

2. Receivables

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

Sales, rental, gas, tobacco and lodging tax 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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

In the fund financial statements, governmental fund types recognize premiums, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. 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 carry over a maximum of 300 hours of annual leave at the end of each calendar year. Upon termination of employment in good standing, the employees are paid for all unused annual leave accumulated to the date of 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.

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2013

8. Net Position/Fund Equity

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

- ◆ **Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ◆ **Unrestricted** – Constraints imposed on net asset by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

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.

- 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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

- 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

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 annual 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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

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.

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, 2013, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity
Federated U. S. Treasury Cash Reserves	<u>\$464,048.40</u>	Within One Year

Notes to the Financial Statements

For the Year Ended September 30, 2013

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, 2013, 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.

Concentration 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.

Note 4 – Receivables

On September 30, 2013, receivables for the Commission's individual major funds, other governmental funds and fiduciary funds in the aggregate are as follows:

Governmental Funds	General Fund	Reappraisal Fund	Other Governmental Funds	Total
Accounts Receivable	\$ 106,529.72	\$50.42	\$	\$ 106,580.14
Due from Other Governments	1,146,010.55		868,468.74	2,014,479.29
Totals	<u>\$1,252,540.27</u>	<u>\$50.42</u>	<u>\$868,468.74</u>	<u>\$2,121,059.43</u>

Notes to the Financial Statements
For the Year Ended September 30, 2013

Due from Other Governments in the amount of \$304,596.17 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.

Fiduciary Funds	Private-Purpose Trust Funds	Agency Funds	Total
Due from Other Governments	\$21,580.76	\$42,056.89	\$63,637.65
Totals	<u>\$21,580.76</u>	<u>\$42,056.89</u>	<u>\$63,637.65</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, 2013, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes	\$7,798,444.93	\$
Lease Receivable		422,766.12
Unearned Revenues		<u>467,264.62</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$7,798,444.93</u>	<u>\$890,030.74</u>

Notes to the Financial Statements
For the Year Ended September 30, 2013

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 10/01/2012	Additions/ Reclassifications (*)	Deletions/ Reclassifications (*)	Balance 09/30/2013
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 1,204,894.50	\$ 205,244.50	\$	\$ 1,410,139.00
Construction in Progress	4,399.68	682,374.70	(136,837.18)	549,937.20
Total Capital Assets, Not Being Depreciated	<u>1,209,294.18</u>	<u>887,619.20</u>	<u>(136,837.18)</u>	<u>1,960,076.20</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	13,125,083.93	136,837.18		13,261,921.11
Motor Vehicles, Furniture and Equipment	9,970,679.49	621,616.97	(704,705.13)	9,887,591.33
Equipment Under Capital Lease	1,364,836.52	98,025.60		1,462,862.12
Total Capital Assets Being Depreciated	<u>32,806,487.25</u>	<u>856,479.75</u>	<u>(704,705.13)</u>	<u>32,958,261.87</u>
Less: Accumulated Depreciation for:				
Infrastructure – Bridges	(1,757,918.00)	(150,643.00)		(1,908,561.00)
Infrastructure – Roads	(690,168.00)	(22,357.00)		(712,525.00)
Buildings and Improvements	(6,387,082.00)	(312,974.00)		(6,700,056.00)
Motor Vehicles, Furniture, and Equipment	(7,454,301.00)	(739,682.00)	545,505.00	(7,648,478.00)
Equipment Under Capital Lease	(266,304.00)	(141,386.00)		(407,690.00)
Total Accumulated Depreciation	<u>(16,555,773.00)</u>	<u>(1,367,042.00)</u>	<u>545,505.00</u>	<u>(17,377,310.00)</u>
Total Capital Assets Being Depreciated, Net	<u>16,250,714.25</u>	<u>(510,562.25)</u>	<u>(159,200.13)</u>	<u>15,580,951.87</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 17,460,008.43</u>	<u>\$ 377,056.95</u>	<u>\$(296,037.31)</u>	<u>\$ 17,541,028.07</u>
(*) Reclassifications of \$136,837.18 were necessary to convert construction in progress to buildings.				

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 300,141.00
Public Safety	336,962.00
Highway and Roads	670,964.00
Welfare	52,183.00
Culture and Recreation	6,792.00
Total Depreciation Expense – Governmental Activities	<u>\$1,367,042.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2013

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. The provisions of Act Number 2012-377, Acts of Alabama, established a new defined benefit plan tier for employees (Tier 2). Tier 2 employees are those hired on or after January 1, 2013. Employees who were hired before January 1, 2013 are considered to be Tier 1 employees.

Vested Tier 1 employees may retire with full benefits at age 60 or after 25 years of service. Vested Tier 2 employees may retire after completing at least 10 years of service at the age of 62. 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 Tier 1 retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service, whereas Tier 2 retirees are allowed 1.6500% of their average final salary (best five of the last ten years) for each year of service with a benefit cap of 80% of the average final salary. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2013

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.

B. Funding Policy

Employees of the Commission are required by statute to contribute a certain percentage of their salary to the Employees' Retirement System based on their date of hire. Tier 1 employees are those hired prior to January 1, 2013. Tier 2 employees are those hired January 1, 2013 and later. 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, 2013 was based on the actuarial valuation performed as of September 30, 2010. However, the ERS Board of Control, on January 27, 2012, adopted changes in the actuarial assumptions and methods as recommended by the system's actuaries based on the results of the recent experience study. As a result, the employer contribution rate for fiscal year 2013 was revised.

Fiscal Year 2013 Contribution Rate Information		
	Tier 1 Employees	Tier 2 Employees
Effective Date	10/01/2012 – 09/30/2013	01/01/2013 – 09/30/2013
Employer Contribution Rate	6.81%	6.73%
Regular Employee Rate	7.50%	6.00%
FLC* Employee Rate	8.50%	7.00%
(*) FLC – Firefighters, Law Enforcement, and Correction Officers		

C. Annual Pension Cost

For the year ended September 30, 2013, the Commission's annual pension cost of \$470,158.45 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, 2012, 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, 2012 was 28 years.

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2013	\$470,158	100%	\$0
09/30/2012	\$424,623	100%	\$0
09/30/2011	\$600,512	100%	\$0

D. Funded Status and Funding Progress

As of September 30, 2012, the most recent actuarial valuation date, the plan was 72.2 percent funded. The actuarial accrued liability for benefits was \$20,887,756 and the actuarial value of assets was \$15,072,801, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,814,955. The covered payroll (annual payroll of active employees covered by the plan) was \$6,459,625, and the ratio of the UAAL to the covered payroll was 90.0 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 contributes to the Local Government Health Insurance Program, an agent multiple-employer defined benefit postemployment healthcare plan administered by the State Insurance Board. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. The *Code of Alabama 1975*, Sections 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report.

B. Funding Policy

The Commission’s contributions were on a pay-as-you-go basis as of September 30, 2013. The Commission does not anticipate setting up a trust fund to fund its postemployment medical and life insurance plans.

Notes to the Financial Statements
For the Year Ended September 30, 2013

The Commission contributes \$779.00, 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 \$134, the cost of current monthly premiums, for eligible retirees and \$218, the cost of currently monthly premiums, for eligible disabled retirees. For fiscal year 2013, the Commission contributed \$286,838.00 to cover approximately eighty-seven participants.

Retired employees also may elect to participate in a life insurance plan. The Commission pays \$2.00 to \$4.00 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, 2013, to cover approximately eighty-seven participants, totaled \$2,945.00.

C. Annual OPEB Cost

For fiscal year 2013, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, drug, dental and life insurance was \$769,640.60. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$769,640.60	37.60%	\$2,887,304.90
2012	\$777,031.00	39.05%	\$2,407,447.00
2011	\$920,895.00	39.06%	\$1,933,837.30

The recent actuarial valuation at 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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2013, 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2013

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, 2013 amounted to \$23,705.35.

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

Note 9 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$1,462,862.12 for governmental activities at September 30, 2013. 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, 2013.

Fiscal Year Ending	Governmental Activities
September 30, 2014	\$385,890.99
2015	118,026.67
2016	104,853.90
2017	20,083.50
Total Minimum Lease Payments	628,855.06
Less: Amount Representing Interest	(24,201.31)
Present Value of Net Minimum Lease Payments	<u>\$604,653.75</u>

Notes to the Financial Statements
For the Year Ended September 30, 2013

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 \$422,766.12 is reflected in the financial statements at September 30, 2013. 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.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2013:

	Debt Outstanding 10/01/2012	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2013	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Warrants:					
Series 2010-A	\$4,890,000.00	\$	\$(430,000.00)	\$4,460,000.00	\$440,000.00
Warrant/U.S.D.A. Loan	290,000.00		(10,000.00)	280,000.00	10,000.00
Sub-Total	5,180,000.00		(440,000.00)	4,740,000.00	450,000.00
Deferred Loss on Refunding	(255,033.43)		28,077.08	(226,956.35)	(28,077.08)
Unamortized Premium	210,897.33		(23,218.05)	187,679.28	23,218.05
Total Warrants Payable	5,135,863.90		(435,140.97)	4,700,722.93	445,140.97
Other Liabilities:					
Capital Lease Contracts Payable	833,332.75	98,025.60	(326,704.60)	604,653.75	369,163.13
Estimated Liability for Compensated Absences	438,188.74		(19,418.15)	418,770.59	41,877.06
Other Postemployment Benefit Obligation	2,407,447.30	479,857.60		2,887,304.90	
Total Governmental Activities Long-Term Liabilities	\$8,814,832.69	\$577,883.20	\$(781,263.72)	\$8,611,452.17	\$856,181.16

Payments on the warrants payable were made from the Debt Service Funds. These payments were made from transfers from the Public Buildings, Roads and Bridges Fund. In addition, the capital lease contracts payable are paid from the Public Buildings, Roads and Bridges 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 Special Revenue Fund, and the remainder by the other governmental funds.

Notes to the Financial Statements
For the Year Ended September 30, 2013

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, 2014	\$ 440,000.00	\$141,300.00	\$ 10,000.00	\$ 12,600.00	\$369,163.13	\$16,727.86	\$ 989,790.99
2015	450,000.00	130,150.00	10,000.00	12,150.00	112,805.48	5,221.19	720,326.67
2016	465,000.00	116,425.00	10,000.00	11,700.00	102,722.82	2,131.08	707,978.90
2017	475,000.00	102,325.00	10,000.00	11,250.00	19,962.32	121.18	618,658.50
2018	490,000.00	87,850.00	10,000.00	10,800.00			598,650.00
2019-2023	2,140,000.00	172,450.00	60,000.00	47,025.00			2,419,475.00
2024-2028			75,000.00	31,500.00			106,500.00
2029-2033			95,000.00	13,275.00			108,275.00
Total	\$4,460,000.00	\$750,500.00	\$280,000.00	\$150,300.00	\$604,653.75	\$24,201.31	\$6,269,655.06

Warrant Issuance Costs, Deferred Charges on Refunding, and Premium

The Commission had warrant issuance costs, as well as warrant premium and deferred loss on the early extinguishment of debt, 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	\$68,744.27	\$210,897.33	\$255,033.43
Current Amount Amortized	(7,568.18)	(23,218.05)	(28,077.08)
Balance Issuance Costs and Premium	\$61,176.09	\$187,679.28	\$226,956.35

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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

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 has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). They may choose to participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Note 12 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2013, were as follows:

	Interfund Receivables	
	General Fund	Total
Interfund Payables:		
Other Governmental Funds	\$463,582.95	\$463,582.95
Total	<u>\$463,582.95</u>	<u>\$463,582.95</u>

Notes to the Financial Statements
For the Year Ended September 30, 2013

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2013, were as follows:

	Transfers In			Total Governmental Funds
	General Fund	Reappraisal Fund	Other Governmental Funds	
Transfers Out:				
General Fund	\$	\$	\$ 832,152.28	\$ 832,152.28
Capital Improvement Fund			539,280.00	539,280.00
Other Governmental Funds	29,420.35	4,225.00		33,645.35
Total	<u>\$29,420.35</u>	<u>\$4,225.00</u>	<u>\$1,371,432.28</u>	<u>\$1,405,077.63</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.

Note 14 – Subsequent Event

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.

Notes to the Financial Statements
For the Year Ended September 30, 2013

Note 15 – Restatement

The Commission reclassified the Disaster Fund as a component of the General Fund. Also, in the past, the Commission recorded their CDBG Fund in the General Fund and has properly classified it as a separate special revenue fund for this fiscal year.

	General Fund	Capital Improvement Fund	Reappraisal Fund	Other Governmental Funds	Total
Fund Balance, September 30, 2012, as Previously Reported	\$11,577,301.50	\$2,836,258.75	\$	\$3,425,968.98	\$17,839,529.23
Restatements	(320,540.04)			320,540.04	
Fund Balance, September 30, 2012, as Restated	<u>\$11,256,761.46</u>	<u>\$2,836,258.75</u>	<u>\$</u>	<u>\$3,746,509.02</u>	<u>\$17,839,529.23</u>

Required Supplementary Information

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2013***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<u>Revenues</u>			
Taxes	\$ 5,647,173.11	\$ 5,647,173.11	\$ 5,844,635.47
Licenses and Permits	95,500.00	95,500.00	140,917.19
Intergovernmental	1,983,711.31	1,996,951.31	2,535,777.04
Charges for Services	1,427,600.00	1,427,600.00	1,517,294.05
Miscellaneous	45,327.40	130,282.55	210,360.20
Total Revenues	<u>9,199,311.82</u>	<u>9,297,506.97</u>	<u>10,248,983.95</u>
<u>Expenditures</u>			
Current:			
General Government	3,639,700.24	4,086,345.99	3,771,067.13
Public Safety	5,107,017.25	5,252,551.43	5,046,111.19
Highways and Roads		1,611.78	1,345.37
Health	91,482.08	102,882.08	96,127.31
Welfare	126,521.88	184,371.88	180,321.20
Culture and Recreation		50,349.22	68,717.22
Education	50,000.00	65,000.00	65,000.00
Capital Outlay		295,493.47	243,152.45
Debt Service:			
Principal			
Interest and Fiscal Charges			
Intergovernmental	200,000.00	200,000.00	278,206.91
Total Expenditures	<u>9,214,721.45</u>	<u>10,238,605.85</u>	<u>9,750,048.78</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,409.63)</u>	<u>(941,098.88)</u>	<u>498,935.17</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	957,048.08	1,151,763.36	1,148,140.75
Sale of Capital Assets		53,737.00	53,945.40
Proceeds of Capital Leases			
Transfers Out	(746,511.07)	(964,226.35)	(970,608.73)
Total Other Financing Sources (Uses)	<u>210,537.01</u>	<u>241,274.01</u>	<u>231,477.42</u>
Net Change in Fund Balances	195,127.38	(699,824.87)	730,412.59
Fund Balances - Beginning of Year, as Restated		958,009.18	5,761,527.57
Fund Balances - End of Year	<u>\$ 195,127.38</u>	<u>\$ 258,184.31</u>	<u>\$ 6,491,940.16</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 2,433,117.92	\$ 8,277,753.39
		140,917.19
(1)	670,614.03	3,206,391.07
(1)	171,106.31	1,688,400.36
(1)	63,829.62	274,189.82
	<u>3,338,667.88</u>	<u>13,587,651.83</u>
(2)	(424,830.02)	4,195,897.15
(2)	(343,890.81)	5,390,002.00
(2)	(1,278,490.17)	1,279,835.54
		96,127.31
		180,321.20
(2)	(106,834.68)	175,551.90
		65,000.00
(2)	(384,353.13)	627,505.58
(2)	(326,704.60)	326,704.60
(2)	(25,421.97)	25,421.97
		278,206.91
	<u>(2,890,525.38)</u>	<u>12,640,574.16</u>
	<u>448,142.50</u>	<u>947,077.67</u>
(3)	(1,118,720.40)	29,420.35
(3)	176,557.11	230,502.51
(3)	98,025.60	98,025.60
(3)	138,456.45	(832,152.28)
	<u>(705,681.24)</u>	<u>(474,203.82)</u>
	(257,538.74)	472,873.85
(4)	<u>5,495,233.89</u>	<u>11,256,761.46</u>
	<u>\$ 5,237,695.15</u>	<u>\$ 11,729,635.31</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2013***

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

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

(1) Revenues	
Park	\$ 94,643.25
Drug Enforcement	265,367.61
Public Buildings, Roads, and Bridges	2,383,734.15
Courthouse and Jail	493,177.67
Law Library	77,337.50
Emergency Management	<u>24,407.70</u>
(2) Expenditures	
Park	(106,834.68)
Drug Enforcement	(258,389.78)
Public Buildings, Roads, and Bridges	(2,114,546.69)
Courthouse and Jail	(67,836.20)
Law Library	(19,852.22)
Emergency Management	<u>(323,065.81)</u>
(3) Other Financing Sources/(Uses), Net	
Park	23,228.50
Drug Enforcement	(7,177.83)
Public Buildings, Roads, and Bridges	(488,957.67)
Courthouse and Jail	(445,374.96)
Law Library	(86,057.39)
Emergency Management	<u>\$ 298,658.11</u>

Net Change 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.

\$ 3,338,667.88

(2,890,525.38)

(705,681.24)

\$ (257,538.74)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Improvement Fund
For the Year Ended September 30, 2013***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Intergovernmental	\$ 1,062,885.00	\$ 1,062,885.00	\$ 1,144,353.48
Miscellaneous			2,086.69
Total Revenues	<u>1,062,885.00</u>	<u>1,062,885.00</u>	<u>1,146,440.17</u>
Expenditures			
Current:			
General Government		43,250.00	43,250.00
Public Safety		2,460.15	2,460.15
Capital Outlay		179,944.50	179,944.50
Total Expenditures		<u>225,654.65</u>	<u>225,654.65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,062,885.00</u>	<u>837,230.35</u>	<u>920,785.52</u>
Other Financing Sources (Uses)			
Transfers Out		(539,280.00)	(539,280.00)
Total Other Financing Sources (Uses)		<u>(539,280.00)</u>	<u>(539,280.00)</u>
Net Change in Fund Balances	1,062,885.00	297,950.35	381,505.52
Fund Balances - Beginning of Year			<u>2,836,258.75</u>
Fund Balances - End of Year	<u>\$ 1,062,885.00</u>	<u>\$ 297,950.35</u>	<u>\$ 3,217,764.27</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,144,353.48
	2,086.69
	<u>1,146,440.17</u>
	43,250.00
	2,460.15
	<u>179,944.50</u>
	<u>225,654.65</u>
	920,785.52
	<u>(539,280.00)</u>
	<u>(539,280.00)</u>
	381,505.52
	<u>2,836,258.75</u>
<u>\$</u>	<u>\$ 3,217,764.27</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2013***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 1,140,877.99	\$ 1,375,639.19	\$ 1,003,500.82
Miscellaneous		9,270.00	2,330.50
Total Revenues	<u>1,140,877.99</u>	<u>1,384,909.19</u>	<u>1,005,831.32</u>
<u>Expenditures</u>			
Current:			
General Government	1,140,877.99	1,389,134.19	1,019,326.32
Total Expenditures	<u>1,140,877.99</u>	<u>1,389,134.19</u>	<u>1,019,326.32</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>(4,225.00)</u>	<u>(13,495.00)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In		4,225.00	4,225.00
Sale of Capital Assets			9,270.00
Total Other Financing Sources (Uses)		<u>4,225.00</u>	<u>13,495.00</u>
Net Change in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,003,500.82
	2,330.50
	<u>1,005,831.32</u>
	 1,019,326.32
	<u>1,019,326.32</u>
	 (13,495.00)
	 4,225.00
	<u>9,270.00</u>
	<u>13,495.00</u>
 <u>\$</u>	 <u>\$</u>

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***Schedule of Funding Progress
Defined Benefit Pension Plan
For the Year Ended September 30, 2013***

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2012 ^{3,5}	\$15,072,801	\$20,887,756	\$5,814,955	72.2%	\$6,459,625	90.0%
09/30/2011 ^{3,4}	\$15,536,691	\$22,218,624	\$6,681,933	69.9%	\$7,091,099	94.2%
09/30/2010 ²	\$15,840,494	\$22,114,839	\$6,274,345	71.6%	\$7,152,782	87.7%

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

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

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

³ Reflects the impact of Act Number 2011-676, Acts of Alabama, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

⁴ Reflects changes in actuarial assumptions.

⁵ Reflects changes to interest smoothing methodology.

***Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2013***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2012	\$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.

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Housing and Urban Development</u>		
<u>Direct Program</u>		
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Emergency Solutions Grants Program	14.231	ESG-11-003
Emergency Solutions Grants Program	14.231	HESG-12-008
Sub-Total Emergency Solutions Grants Program		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CY-CE-PF-10-007
Total U. S. Department of Housing and Urban Development		
<u>U. S. Department of Justice</u>		
<u>Direct Program</u>		
Bulletproof Vest Partnership Program	16.607	
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Violence Against Women Formula Grants	16.588	11-WF-PR-003
Violence Against Women Formula Grants	16.588	12-WF-PR-005
Sub-Total Violence Against Women Formula Grants		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-DJ-01-026
Total U. S. Department of Justice		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Etowah County Commission</u>		
State and Community Highway Safety	20.600	12-SP-PT-005
<u>General Services Administration</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
<u>U. S. Election Assistance Commission</u>		
<u>Passed Through the Alabama Secretary of State</u>		
Help America Vote Act Requirements Payments	90.401	2012-0036
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
03/24/2006-09/30/2015	\$ 117,600.00	\$ 117,600.00	\$ 8,563.32	\$ 8,563.32
09/01/2011-01/31/2013	86,000.00	43,000.00	14,767.31	14,767.31
06/18/2012-04/18/2014	110,000.00	110,000.00	22,581.43	22,581.43
	<u>196,000.00</u>	<u>153,000.00</u>	<u>37,348.74</u>	<u>37,348.74</u>
11/22/2010-02/05/2014	334,008.64	223,116.12	73,490.50	73,490.50
	<u>530,008.64</u>	<u>376,116.12</u>	<u>119,402.56</u>	<u>119,402.56</u>
04/01/2012-08/31/2014	20,384.00	11,915.00	10,471.00	10,471.00
01/01/2012-12/31/2012	77,046.00	77,046.00	17,152.06	17,152.06
01/01/2013-12/31/2013	55,000.00	55,000.00	41,000.30	41,000.30
	<u>132,046.00</u>	<u>132,046.00</u>	<u>58,152.36</u>	<u>58,152.36</u>
10/01/2012-09/30/2013	109,221.79	81,916.23	81,916.23	81,916.23
	<u>261,651.79</u>	<u>225,877.23</u>	<u>150,539.59</u>	<u>150,539.59</u>
10/01/2011-09/30/2012	5,000.00	5,000.00	794.07	794.07
10/01/2012-09/30/2013			38,842.96	38,842.96
	<u>107,877.13</u>	<u>107,877.13</u>	<u>7,498.72</u>	<u>7,498.72</u>
	\$ 904,537.56	\$ 714,870.48	\$ 317,077.90	\$ 317,077.90

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through Top of Alabama Regional</u>		
<u>Council of Governments</u>		
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 13-10
Total U. S. Department of Health and Human Services		
<u>Passed Through Alabama Department of Homeland Security</u>		
Homeland Security Grant Program	97.067	2FIL
Homeland Security Grant Program	97.067	0ICL
Homeland Security Grant Program	97.067	0CBS
Sub-Total Homeland Security Grant Program		
Interoperable Emergency Communications	97.055	01MA
Interoperable Emergency Communications	97.055	01ET
Interoperable Emergency Communications	97.055	01CE
Sub-Total Interoperable Emergency Communications		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 904,537.56	\$ 714,870.48	\$ 317,077.90	\$ 317,077.90
10/01/2012-09/30/2013	38.10	38.10	38.10	38.10
10/01/2012-09/30/2013	75,131.34	75,131.34	75,131.34	75,131.34
10/01/2012-09/30/2013	43,630.50	43,630.50	43,630.50	43,630.50
	<u>118,761.84</u>	<u>118,761.84</u>	<u>118,761.84</u>	<u>118,799.94</u>
10/01/2012-09/30/2013	12.06	12.06	12.06	12.06
	<u>118,812.00</u>	<u>118,812.00</u>	<u>118,812.00</u>	<u>118,812.00</u>
10/15/2012-10/15/2013	11,968.00	11,968.00	8,248.00	8,248.00
01/07/2013-02/28/2013	350.00	350.00	350.00	350.00
01/07/2013-02/28/2013	2,484.00	2,484.00	2,484.00	2,484.00
	<u>14,802.00</u>	<u>14,802.00</u>	<u>11,082.00</u>	<u>11,082.00</u>
01/01/2013-05/31/2013	16,342.63	16,342.63	15,687.67	15,687.67
01/01/2013-05/31/2013	1,745.50	1,745.50	1,636.41	1,636.41
01/01/2013-05/31/2013	6,688.14	6,688.14	6,270.13	6,270.13
	<u>24,776.27</u>	<u>24,776.27</u>	<u>23,594.21</u>	<u>23,594.21</u>
	\$ 1,062,927.83	\$ 873,260.75	\$ 470,566.11	\$ 470,566.11

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Passed Through Alabama Emergency Management Agency</u>		
Hazard Mitigation Grant	97.039	DR 1605-0154
Hazard Mitigation Grant	97.039	DR 1605-0155
Hazard Mitigation Grant	97.039	DR 1605-230
Hazard Mitigation Grant	97.039	DR 1605-0237
Hazard Mitigation Grant	97.039	DR 1971-205
Hazard Mitigation Grant	97.039	DR 1971-206
Hazard Mitigation Grant	97.039	DR 1971-207
Hazard Mitigation Grant	97.039	DR 1971-253
Hazard Mitigation Grant	97.039	DR 1971-294
Hazard Mitigation Grant	97.039	DR 1971-295
Hazard Mitigation Grant	97.039	DR 1971-297
Hazard Mitigation Grant	97.039	DR 1971-116
Hazard Mitigation Grant	97.039	DR 1971-125
Hazard Mitigation Grant	97.039	DR 1971-134
Hazard Mitigation Grant	97.039	DR 1971-144
Hazard Mitigation Grant	97.039	DR 1971-224
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	2EMS
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		
	\$ 1,062,927.83	\$ 873,260.75	\$ 470,566.11	\$ 470,566.11
10/01/2012-09/30/2013	14,039.00	14,039.00	14,039.00	14,039.00
10/01/2012-09/30/2013	16,245.00	16,245.00	16,245.00	16,245.00
10/01/2012-09/30/2013	16,553.00	16,553.00	16,553.00	16,553.00
10/01/2012-09/30/2013	14,102.00	14,102.00	14,102.00	14,102.00
09/14/2012-09/13/2015	101,591.00	76,193.00	69,976.87	69,976.87
09/14/2012-09/13/2015	96,715.00	72,539.00	65,208.30	65,208.30
09/14/2012-09/13/2015	102,651.00	76,988.00	62,540.18	62,540.18
09/14/2012-09/13/2015	101,061.00	75,796.00	75,796.00	75,796.00
09/14/2012-09/13/2015	99,339.00	74,504.00	69,520.64	69,520.64
09/14/2012-09/13/2015	103,791.00	77,843.00	69,407.89	69,407.89
09/14/2012-09/13/2015	101,247.00	75,935.00	62,662.15	62,662.15
03/19/2012-03/18/2015	148,138.00	103,953.00	12,000.00	12,000.00
03/19/2012-03/18/2015	62,654.00	44,956.00	8,000.00	8,000.00
02/16/2012-02/15/2015	151,810.00	104,420.00	4,000.00	4,000.00
07/02/2012-07/01/2015	143,578.00	100,040.00	47,777.50	47,777.50
04/13/2012-04/12/2015	145,587.00	101,144.00	4,000.00	4,000.00
08/29/2011-12/12/2013	80,671.00	59,753.00	5,246.25	5,246.25
03/29/2012-03/28/2015	93,201.00	69,901.00	52,269.00	52,269.00
	1,592,973.00	1,045,250.00	669,343.78	669,343.78
10/01/2011-09/30/2012	12,000.00	12,000.00	12,000.00	12,000.00
	1,604,973.00	1,057,250.00	681,343.78	681,343.78
	\$ 2,655,900.83	\$ 1,930,510.75	\$ 1,151,909.89	\$ 1,151,909.89

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2013***

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.

Additional Information

Commission Members and Administrative Personnel
October 1, 2012 through September 30, 2013

Commission Members **Term Expires**

Hon. James Hutcheson	Chairman	2014
Hon. C. W. "Buddy" Allen	Commissioner	Deceased
Hon. R. E. Martin	Commissioner	2016
Hon. William Stricklend, III	Commissioner	2014
Hon. Tamey Hale	Commissioner	2014
Hon. James Maze	Commissioner	2012
Hon. Richard Kilgore	Commissioner	2012

Administrative Personnel

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***

Independent Auditor's Report

To: Members of the Marshall County Commission and County Administrator

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Marshall County Commission's basic financial statements and have issued our report thereon dated November 19, 2014.

Internal Control Over Financial Reporting

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

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

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

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

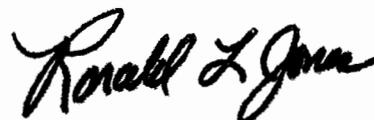
Compliance and Other Matters

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

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 19, 2014

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Independent Auditor's Report

To: Members of the Marshall County Commission and County Administrator

Report on Compliance for Each Major Federal Program

We have audited the Marshall County Commission's 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 the Marshall County Commission's major federal program for the year ended September 30, 2013. The Marshall County Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Marshall County Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and 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 Marshall County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Opinion on Each Major Federal Program

In our opinion, the Marshall County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the Marshall County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Marshall County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 Marshall County Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

November 19, 2014

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

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? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
97.039	Hazard Mitigation Grant

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, 2013

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
			No matters were reportable.	

Summary Schedule of Prior Audit Findings

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
DAVID KELLEY
DISTRICT 4
TAMEY HALE

August 26, 2014

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

Dear Sir:

Summary Schedule of Prior Audit Findings *For the Year Ended September 30, 2013*

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(b), the Marshall County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2013.

Finding Ref. No.	Status of Prior Audit Finding
2012-02	Corrective action was taken.

Respectfully,

A handwritten signature in black ink, appearing to be "J. Hutcheson", is written over a horizontal line.

James Hutcheson
Chairman

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
DAVID KELLEY

DISTRICT 4
JESSIE C. SWORDS

November 20, 2014

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

Dear Sir:

Corrective Action Plan ***For the Year Ended September 30, 2013***

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, 2013.

Finding Ref No.	Corrective Action Plan Details
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None

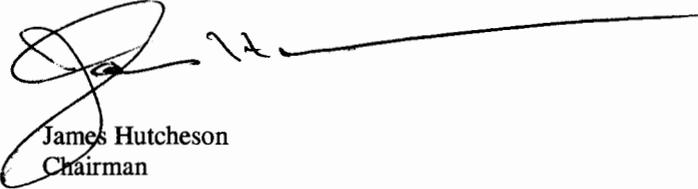
Other Matters in schedule of State and Local Compliance and Other Findings ***For the Year Ended September 30, 2013***

2012-01	Finding #2012-01: Public works, as provided by the <i>Code of Alabama 1975</i> , 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
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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, consisting of a large, stylized initial 'J' followed by a long horizontal line extending to the right.

James Hutcheson
Chairman