Report on the

Morgan County Commission

Morgan County, Alabama

October 1, 2008 through September 30, 2009

Filed: January 21, 2011

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

11-088

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Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, I submit this report on the results of the audit of the Morgan County Commission for the period October 1, 2008 through September 30, 2009.

Respectfully submitted,

Harriet G. Haughton

Harriet G. Haughton
Examiner of Public Accounts

Sworn to and subscribed before me this the 22nd day of December, 2010.

Stella Sanderfer
Notary Public

rb MY COMMISSION EXPIRES 2-19-2012

Table of Contents

Table of Contents

Table of Contents

SUMMARY

Morgan County Commission
October 1, 2008 through September 30, 2009

The Morgan County Commission (the "Commission") is governed by a five-member body elected by the citizens of Morgan County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 18. 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 Morgan County.

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

An unqualified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2009.

A problem was found with the Commission's internal controls over program income for its transportation grant (Exhibit 21) and it is summarized below:

- 2009-1 indicates that the Commission did not have adequate controls over the collection of fares or reconciliation of program income to tickets sold and revenues collected.

The following officials/employees were invited to an exit conference to discuss the contents of this report: John Glasscock, Chairman of the County Commission; Syble W. Atkins, recently retired Administrator of the County Commission; Carol Long, Deputy Administrator of the County Commission; and County Commissioners: Jeff Clark, Kenneth Livingston, Greg Abercrombie, and Don Stisher. Former Commissioners, Kevin Murphy and Stacey Lee George, were also invited to attend. The following individuals attended the exit conference, held at the offices of the County Commission: John Glasscock, Chairman; Carol Long, Deputy Administrator; Commissioners: Jeff Clark, Greg Abercrombie, and Don Stisher; and representatives from the Department of Examiners of Public Accounts: Randall C. O'Bannon, Audit Manager and Harriet G. Haughton, Examiner.

Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Morgan County Commission, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements of the Morgan County Commission as listed in the table of contents as Exhibits 1 through 11. These financial statements are the responsibility of the Morgan County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Morgan County Commission, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Morgan County Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 45, ***Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions***, during the fiscal year ended September 30, 2009. This represents a change in the Morgan County Commission's method of accounting for certain postemployment benefits.

In accordance with ***Government Auditing Standards***, we have also issued our report dated December 17, 2010 on our consideration of the Morgan County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual and the Schedules of Funding Progress (Exhibits 12 through 16) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morgan County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 17) 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 purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

December 17, 2010

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Management's Discussion and Analysis
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Morgan County Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended on September 30, 2009. Please read it in conjunction with the Commission's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Commission's total net assets increased by $61,200 over the course of the year's operations. Net assets of our business-type activities increased by $358,700(or approximately 17.97%), while the net assets of our governmental activities decreased by $297,400 (or .75%).
- In the County's governmental activities, expenses decreased by $397,400 or approximately 1.09%), while revenues increased by $1,202,000 (or approximately 3.46%).
- In the County's business-type activities, operating expenses increased by 1%, while operating revenues increased by approximately 17.36%.
- The General Fund used $55,200 in prior year reserves to finance current year programs. The Gasoline Tax Fund reserve decreased by $39,700. The Public Buildings, Roads, and Bridges Fund reserve amount decreased by $61,900.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Commission.

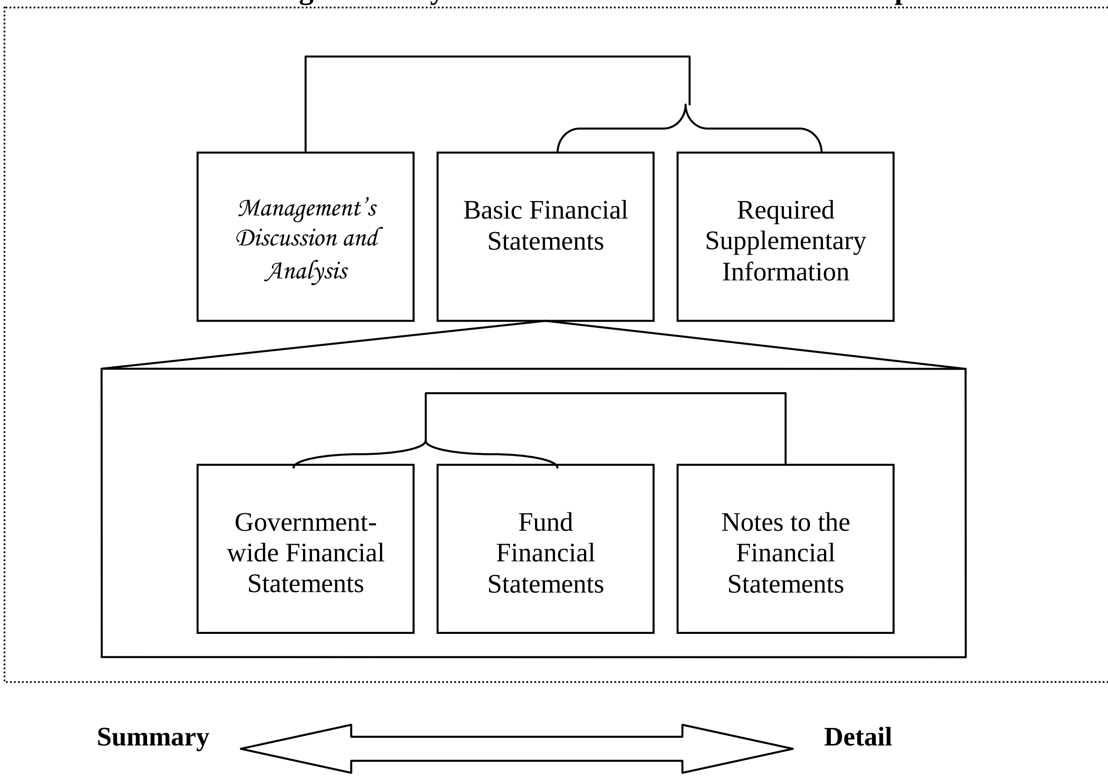
- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Commission's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Commission government, reporting the Commission's operations in *more detail* than the government-wide statements.

  - ➢ The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.

- *Proprietary fund* statements offer *short*- and *long-term* financial information about the activities the government operates *like businesses*, such as the environmental services.

  - ➢ *Fiduciary fund* statements provide information about financial relationships - like the District Attorney and Worthless Check Funds - in which the Commission acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1
Required Components of
Morgan County Commission's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the Commission's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Morgan County's Commission's Government-wide and Fund Financial Statements

		Fund Financial Statements		
	Government-Wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as public safety, highways and roads, and health	Activities the County operates similar to private businesses: Environmental Services	Instances in which the County is the trustee or agent for someone else's resources, such as the District Attorney and Worthless Check Fund
Required Financial Statements	• Statement of net assets • Statement of Activities	• Balance Sheet • Statement of Revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic measurement focus	Accrual accounting and economic measurement focus
Types of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses, during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Commission's *net assets* and how they have changed. Net assets - the difference between the Commission's assets and liabilities - is one way to measure the Commission's financial health, or *position.*

- Over time, increases or decreases in the Commission's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Commission you need to consider additional nonfinancial factors such as changes in the Commission's property tax base and the condition of the county's roads.

The government-wide financial statements of the Commission are divided into two categories:

- *Governmental activities* - Most of the Commission's basic services are included here, such as public safety, highways and roads, and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - The Commission charges fees to customers to help it cover the cost of certain services it provides. The Commission's environmental services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's most significant funds - not the Commission as a whole. Funds are accounting devices that the Commission uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The County Commission establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Morgan County Commission has three kinds of funds:

- *Governmental Funds* - Most of the Commission's basic financial 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 near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page that explains the relationship (or differences) between them.

- *Proprietary funds* - Services for which the Commission charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

  - In fact, the Commission's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities, but provide more detail and additional information, such as cash flows.

- *Fiduciary funds* - The Commission is responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The Commission is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the Commission's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Commission's government-wide financial statements because the Commission cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets. The Commission's combined net assets increased between fiscal years 2008 and 2009 by approximately $.06 to $41.64 million. Net assets for business-type activities increased 17.97% to $2.35 million while net assets for governmental activities increased by .53% to $39.79 million.

Table A-1
Morgan County Commission's Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2008	**2009**	**2008**	**2009**	**2008**	**2009**	**2008-2009**
Current and other assets	31.63	31.69	1.50	1.03	33.13	32.72	(1.24%)
Capital Assets	50.09	49.87	.61	1.58	50.70	51.45	1.48%
Total Assets	81.72	81.56	2.11	2.61	83.83	84.17	.41%
Long-term debt outstanding	26.40	26.11	.02	.05	26.42	26.16	(.98%)
Other Liabilities	15.74	16.16	.09	.21	15.83	16.37	3.41%
Total Liabilities	42.14	42.27	.11	.26	42.25	42.53	(.66%)
Net Assets							
Invested in capital assets, Net of related debt	23.66	24.30	.61	1.58	24.27	25.88	6.63%
Restricted	.69	.90			.69	.90	30.43%
Unrestricted	15.23	14.09	1.39	.77	16.62	14.86	(10.59%)
Total Net Assets	39.58	39.29	2.00	2.35	41.58	41.64	1.42%

Changes in net assets. The Commission's total revenues were approximately $38.42 million. (See Table A-3). Approximately 37% of the Commission's revenue comes from property taxes, and 47 cents of every dollar raised comes from some type of tax. Another 28 cents comes from fees charged for services, and the majority of the remainder is state and federal aid.

The total cost of all programs and services was approximately $38.35 million. The Commission's expenses cover a range of services with over 60% related to general government and public safety.

Figure A-3
Morgan County Commission
Revenues for Fiscal Year 2008-2009

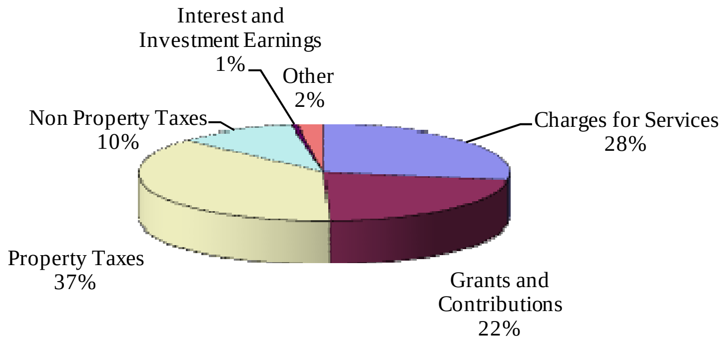
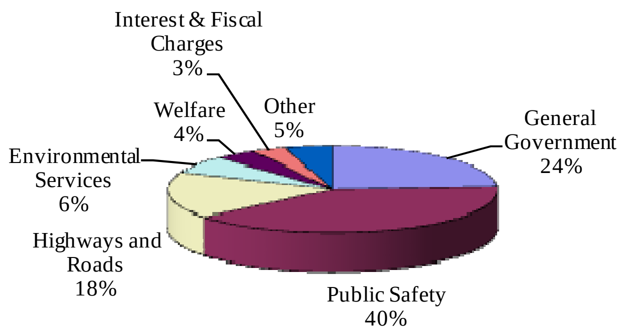


Figure A-4
Morgan County Commission
Expenditures for Fiscal Year 2008-2009



The Commission was able to fully fund this year's cost and also increased total net assets by $61,200.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2
Changes in Morgan County Commission's Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2008	**2009**	**2008**	**2009**	**2008**	**2009**	**2008-2009**
Revenues							
Program Revenues							
	7.17	8.02	2.25	2.64	9.42	10.66	13.16%
Operating Grants and Contributions	6.83	6.47	-	-	6.83	6.47	(5.27%)
Capital Grants and Contributions	1.09	1.40	-	-	1.09	1.40	28.44%
General Revenues							
Property Taxes	16.78	17.75	-	-	16.78	17.75	5.78%
Other Taxes	.62	.54	-	-	.62	.54	(12.90%)
Unrestricted Grants/Contributions	.41	.51	-	-	.41	.51	24.39%
Interest and Investment Earnings	.78	.19	.04	.01	.82	.20	(75.61%)
Other	.88	.89	-	-	.88	.89	1.14%
Total revenues	34.56	35.77	2.29	2.65	36.85	38.42	4.26%
Expenses							
General Government	9.02	9.21	-	-	9.02	9.21	2.11%
Public Safety	13.42	15.32			13.42	15.32	14.16%
Highways and Roads	9.07	6.70	-	-	9.07	6.70	(26.13%)
Sanitation	.48	.19	2.27	2.29	2.75	2.48	(9.82%)
Health	.50	.52	-	-	.50	.52	4.00%
Welfare	1.56	1.60	-	-	1.56	1.60	2.56%
Culture and Recreation	1.09	1.21	-	-	1.09	1.21	11.01%
Education	.05	.05	-	-	.05	.05	--
Interest and Fiscal Charges	1.27	1.26	-	-	1.27	1.26	(.79%)
Total expenses	36.46	36.06	2.27	2.29	38.73	38.35	(.98%)
Increase (decrease) in net assets	(1.90)	(0.29)	.02	.36	(1.88)	.07	103.72%

Governmental Activities

The increase in net assets is a result of actual revenues exceeding estimated revenues for the County's Environmental Services Fund.

Table A-3 presents the cost of each of the Commission's five largest programs – general government, public safety, highways and roads, welfare, and culture and recreation – as well as each programs *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the Commission's taxpayers by each of these functions.

- The cost of all governmental activities this year was $36.06 million, including depreciation expenses of $2.61 million. The total cost decreased from the prior year by $.40 million. The Commission did not give employees a cost of living raise for the fiscal year 2008-2009.

- The net cost to taxpayers for these activities was $20.17 million. Some of the costs were paid by:

  - Those who directly benefited from the programs ($8.02 million), or
  - Other governments and organizations that subsidized certain programs with grants and contributions ($7.87 million)
- The Commission paid for the $20.17 million "public benefit" portion with property taxes, and with other revenues such as sales taxes, and investment earnings.

Table A-3
Net Cost of Morgan County's Governmental Activities
(in millions of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services	
	2008	**2009**	**2008-2009**	**2008**	**2009**
General Government	$ 9.02	$9.21	2.11%	3.66	3.64
Public Safety	13.42	15.32	14.15%	9.74	10.90
Highways and Roads	9.07	6.70	(26.13%)	4.88	2.45
Welfare	1.56	1.60	2.56%	.53	.58
Culture and Recreation	1.09	1.21	11.01%	.88	.97
Interest & Fiscal Charges	1.27	1.26	(.79%)	1.27	1.26
Other	1.03	.76	(26.21%)	.41	.37
Total	$36.46	$36.06	(1.11%)	21.37	$20.17

Business-Type Activities

Revenues of the Commission's business-type activities increased from the prior year by approximately $363,000 while expenses remained relatively the same. The increase in revenue is due to a customer rate increase for garbage collection.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

As the Commission completed the year, its governmental funds reported a *combined* fund balance of $16.54 million representing an increase from the prior year's combined fund balance of $16.82 million. Included in the year's total change in fund balance are slight decreases in the Commission's General Fund and in the Commission's Public Buildings, Roads and Bridges Fund. The RRR Gasoline Tax Fund also showed a slight decrease in fund balance.

General Fund Budgetary Highlights

Over the course of the year, the County Commission revised the County budget several times. These budget amendments fall into categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances (correcting the estimated amounts in the original budget.
- Changes made to account for the various grants which were awarded during the year.
- Increases in appropriations to prevent budget overruns.

With these adjustments, actual expenditures of the major funds were approximately $914,700 less than budgeted expenditures and actual revenues were approximately $601,900 more than anticipated revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the Commission had invested $49.86 million in a broad range of capital assets for its governmental activities. (See Table A-4). This amount represents a net decrease (including additions and deductions) of $.23 million or approximately .46% over last year. The majority of this decrease represents depreciation expense.

Table A-4
Morgan County Commission's Capital Assets
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2008	**2009**	**2008**	**2009**	**2008**	**2009**	**2008-2009**
Land	$2.86	$2.86			$2.86	$2.86	
Infrastructure	12.68	12.69			12.68	12.69	
Buildings and Improvements	26.56	26.13	.01	.01	26.57	26.14	(1.62%)
Improvements Other Than Buildings	2.17	2.07			2.17	2.07	(4.61%)
Equipment and Furniture	4.62	4.36	.57	.45	5.19	4.81	(7.32%)
Construction in Progress	.05	.71	.02	1.12	.07	1.83	251.43%
Equipment Under Capital Leases	1.15	1.04			1.15	1.04	9.56%
Total	**$50.09**	**$49.86**	**$.60**	**$1.58**	**$50.69**	**$51.44**	**1.48%**

The Commission began several capital projects in fiscal year 2008 which have continued into fiscal year 2009 and 2010. These projects include a new environmental building and a new animal control building. More detailed information about the Commission's capital assets is presented in Note 5 to the financial statements.

Long-term Debt

At year-end, the Commission had $25.15 million in bonds outstanding - a decrease of $.72 million over last year - as shown in Table A-5. More detailed information about the Commission's long-term liabilities is presented in Note 12 to the financial statements.

Table A-5
Morgan County Commission's Outstanding Long-Term Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2008	**2009**	**2008**	**2009**	**2008**	**2009**	**2008-2009**
General Obligation Warrants	$25.90	$25.18			$25.90	$25.18	(2.78%)
Capital Leases	.93	.76			.93	.76	(18.28%)
Compensated Absences	.84	.90	.26	.22	1.10	1.12	1.82%
Total	**$27.67**	**$26.84**	**$.26**	**$.22**	**27.93**	**$27.06**	**(3.11%)**

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Morgan County Commission, 302 Lee Street N.E., Decatur, AL 35602.

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Basic Financial Statements

Statement of Net Assets
September 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	$ 11,295,580.94	$ 505,109.19	$ 11,800,690.13
Investments	4,878,993.27	327,614.14	5,206,607.41
Receivables (Note 4)	1,345,363.05	201,275.57	1,546,638.62
Accrued Interest Receivable	32,616.05	1,934.88	34,550.93
Ad Valorem Taxes Receivable	12,930,942.27		12,930,942.27
Prepaid Items	25,734.18		25,734.18
Deferred Charges	22,527.28		22,527.28
Total Current Assets	30,531,757.04	1,035,933.78	31,567,690.82
Noncurrent Assets			
Restricted Cash	198,826.79		198,826.79
Restricted Certificates of Deposit	603,266.13		603,266.13
Restricted Cash with Fiscal Agent	2.45		2.45
Deferred Charges	357,200.68		357,200.68
Capital Assets (Note 5):			
Nondepreciable	3,569,168.58	1,121,735.68	4,690,904.26
Depreciable, Net	46,295,146.03	459,307.92	46,754,453.95
Total Noncurrent Assets	51,023,610.66	1,581,043.60	52,604,654.26
Total Assets	81,555,367.70	2,616,977.38	84,172,345.08
Liabilities			
Current Liabilities			
Payables (Note 10)	688,134.97	201,820.74	889,955.71
Due to Other Governments	250,021.68		250,021.68
Deferred Revenue	13,667,189.85		13,667,189.85
Accrued Wages Payable	165,411.88	8,278.75	173,690.63
Accrued Interest Payable	50,272.38		50,272.38
Long-Term Liabilities:			
Amount Due Within One Year:			
Capital Leases Payable	345,934.39		345,934.39
Warrants Payable	750,000.00		750,000.00
Add: Unamortized Premium	1,887.28		1,887.28
Less: Deferred Loss on Refunding	(4,988.50)		(4,988.50)
Estimated Liability for Compensated Absences	244,708.01	5,665.23	250,373.24
Total Current Liabilities	$ 16,158,571.94	$ 215,764.72	$ 16,374,336.66

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

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities			
Capital Leases Payable	$ 419,276.57	$	$ 419,276.57
Warrants Payable	24,400,000.00		24,400,000.00
Add: Unamortized Premium	35,256.57		35,256.57
Compensated Absences	651,648.73	16,727.05	668,375.78
Net OPEB Obligation	601,212.72	30,090.28	631,303.00
Total Noncurrent Liabilities	26,107,394.59	46,817.33	26,154,211.92
Total Liabilities	42,265,966.53	262,582.05	42,528,548.58
Net Assets			
Investments in Capital Assets, Net of Related Debt	24,296,676.26	1,581,043.60	25,877,719.86
Restricted for:			
Debt Service	904,133.02		904,133.02
Unrestricted	14,088,591.89	773,351.73	14,861,943.62
Total Net Assets	$ 39,289,401.17	$ 2,354,395.33	$ 41,643,796.50

Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	$ 9,214,302.93	$ 4,477,371.79	$ 432,918.23
Public Safety	15,323,548.69	2,582,860.03	1,787,308.52
Highways and Roads	6,701,386.67	200,587.41	3,742,225.30
Sanitation	188,001.03	169,755.83	140,000.41
Health	519,941.14	68,405.00	7,541.16
Welfare	1,596,642.09	311,658.17	346,957.45
Culture and Recreation	1,205,580.32	205,606.73	19,012.50
Education	50,000.00		
Interest and Fiscal Charges	1,263,506.62		
Total Governmental Activities	36,062,909.49	8,016,244.96	6,475,963.57
Business-Type Activities:			
Environmental Services	2,290,840.57	2,640,085.41	
Total Business-Type Activities	2,290,840.57	2,640,085.41	
Total Primary Government	$ 38,353,750.06	$ 10,656,330.37	$ 6,475,963.57

General Revenues:
Taxes:
Property Taxes for General Purposes
Property Taxes for Specific Purposes
TVA In-Lieu of Taxes
Miscellaneous Taxes
Grants and Contributions not Restricted
for Specific Programs
Investment Earnings
Loss on Disposal of Assets
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

	Net (Expenses) Revenues and Changes in Net Assets Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
$ 666,840.68	$ (3,637,172.23)	$	$ (3,637,172.23)
50,000.00	(10,903,380.14)		(10,903,380.14)
311,422.46	(2,447,151.50)		(2,447,151.50)
	121,755.21		121,755.21
	(443,994.98)		(443,994.98)
362,479.00	(575,547.47)		(575,547.47)
7,936.94	(973,024.15)		(973,024.15)
	(50,000.00)		(50,000.00)
	(1,263,506.62)		(1,263,506.62)
1,398,679.08	(20,172,021.88)		(20,172,021.88)
		349,244.84	349,244.84
		349,244.84	349,244.84
$ 1,398,679.08	(20,172,021.88)	349,244.84	(19,822,777.04)
	8,638,604.71		8,638,604.71
	5,665,779.07		5,665,779.07
	3,442,246.08		3,442,246.08
	539,310.24		539,310.24
	507,157.56		507,157.56
	192,703.84	9,423.52	202,127.36
	(7,494.26)		(7,494.26)
	896,277.01		896,277.01
	19,874,584.25	9,423.52	19,884,007.77
	(297,437.63)	358,668.36	61,230.73
	39,586,838.80	1,995,726.97	41,582,565.77
	$ 39,289,401.17	$ 2,354,395.33	$ 41,643,796.50

Balance Sheet
Governmental Funds
September 30, 2009

		General Fund		Gasoline Tax Fund
Assets				
Cash and Cash Equivalents	$	949,699.31	$	924,637.20
Cash with Fiscal Agent				
Investments		1,962,990.94		319,132.80
Receivables (Note 4)		656,379.27		154,409.64
Ad Valorem Taxes Receivable		7,930,707.29		
Accrued Interest Receivable		11,593.35		1,884.79
Due from Other Funds		992,486.73		
Advances to Other Funds		60,000.00		
Prepaid Items		9,941.58		15,551.31
Total Assets		12,573,798.47		1,415,615.74
Liabilities and Fund Balances				
Liabilities				
Payables (Note 10)		311,065.49		144,542.45
Due to Other Governments				
Due to Other Funds		214,467.30		
Advances from Other Funds				
Deferred Revenue		8,421,634.20		
Accrued Interest Payable				1,284.25
Accrued Wages Payable		112,256.17		25,277.10
Total Liabilities		9,059,423.16		171,103.80
Fund Balances				
Reserved for:				
Debt Services				
Capital Projects				
Advances		60,000.00		
Prepaid Expenses		9,941.58		15,551.31
Unreserved, Reported in:				
General		3,444,433.73		
Special Revenue				1,228,960.63
Total Fund Balances		3,514,375.31		1,244,511.94
Total Liabilities and Fund Balances	$	12,573,798.47	$	1,415,615.74

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

Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Total Governmental Funds
$ 775,176.45	$ 8,844,894.77	$ 11,494,407.73
	2.45	2.45
1,052,227.00	2,147,908.66	5,482,259.40
	534,574.14	1,345,363.05
3,884,868.98	1,115,366.00	12,930,942.27
6,214.42	12,923.49	32,616.05
	214,467.30	1,206,954.03
		60,000.00
	241.29	25,734.18
5,718,486.85	12,870,378.10	32,578,279.16
3,397.17	229,129.86	688,134.97
	250,021.68	250,021.68
	992,486.73	1,206,954.03
	60,000.00	60,000.00
4,124,393.36	1,121,162.29	13,667,189.85
		1,284.25
	27,878.61	165,411.88
4,127,790.53	2,680,679.17	16,038,996.66
	953,121.15	953,121.15
	54,427.41	54,427.41
		60,000.00
	241.29	25,734.18
		3,444,433.73
1,590,696.32	9,181,909.08	12,001,566.03
1,590,696.32	10,189,698.93	16,539,282.50
$ 5,718,486.85	$ 12,870,378.10	$ 32,578,279.16

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2009

Total Fund Balances - Governmental Funds (Exhibit 3)			$ 16,539,282.50
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets were added as net capital assets in the following amount:			49,864,314.61
Deferred issue costs are reported as current expenditures in the funds. However, deferred issue costs are amortized over the remaining bond issue period and are included in the governmental activities in the Statement of Net Assets.			
	Current Assets	Noncurrent Assets	
Deferred Charges	$ 22,527.28	$ 357,200.68	
			379,727.96
Certain liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year-end consist of:			
	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	750,000.00	24,400,000.00	
Unamortized Premium	1,887.28	35,256.57	
Deferred Loss on Refunding	(4,988.50)		
Capital Leases Payable	345,934.39	419,276.57	
Compensated Absences	244,708.01	651,648.73	
Net OPEB Obligation		601,212.72	
Total Long-Term Liabilities	$ 1,337,541.18	$ 26,107,394.59	
			(27,444,935.77)
Accrued interest payable is not available soon enough to pay for the current period's expenditures, and therefore is not shown in the funds.			(48,988.13)
Total Net Assets - Governmental Activities (Exhibit 1)			$ 39,289,401.17

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, 2009

	General Fund	Gasoline Tax Fund
Revenues		
Taxes	$ 13,018,682.46	$
Licenses and Permits	212,218.10	
Intergovernmental	1,431,978.55	1,889,167.31
Charges for Services	4,662,681.76	
Miscellaneous	578,526.57	28,351.51
Total Revenues	19,904,087.44	1,917,518.82
Expenditures		
Current:		
General Government	6,294,569.40	
Public Safety	10,787,491.54	
Highways and Roads		3,923,683.40
Sanitation		
Health	501,291.75	
Welfare	170,040.58	
Culture and Recreation	254,498.87	
Education	50,000.00	
Capital Outlay	933,242.12	440,124.62
Debt Service:		
Principal Retirement	5,854.01	326,853.29
Interest and Fiscal Charges	902.12	35,348.63
Total Expenditures	18,997,890.39	4,726,009.94
Excess (Deficiency) of Revenues Over Expenditures	906,197.05	(2,808,491.12)
Other Financing Sources (Uses)		
Transfers In	2,660,342.00	2,529,660.00
Sale of Capital Assets	11,432.00	64,593.01
Inception of Capital Leases		174,547.00
Transfers Out	(3,633,193.03)	
Total Other Financing Sources (Uses)	(961,419.03)	2,768,800.01
Net Change in Fund Balances	(55,221.98)	(39,691.11)
Fund Balances - Beginning of Year	3,569,597.29	1,284,203.05
Fund Balances - End of Year	$ 3,514,375.31	$ 1,244,511.94

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

Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Total Governmental Funds
$ 4,350,919.01	$ 1,171,967.39	$ 18,541,568.86
	3,212.00	215,430.10
46,528.82	5,348,626.14	8,716,300.82
	2,829,790.81	7,492,472.57
25,175.69	175,140.00	807,193.77
4,422,623.52	9,528,736.34	35,772,966.12
11,862.00	2,199,744.65	8,506,176.05
	3,373,258.65	14,160,750.19
178,068.73	1,575,582.28	5,677,334.41
	146,720.38	146,720.38
		501,291.75
	1,205,663.37	1,375,703.95
	853,160.27	1,107,659.14
		50,000.00
26,620.68	1,103,789.32	2,503,776.74
	727,508.87	1,060,216.17
	1,204,178.62	1,240,429.37
216,551.41	12,389,606.41	36,330,058.15
4,206,072.11	(2,860,870.07)	(557,092.03)
	3,689,566.14	8,879,568.14
	29,225.00	105,250.01
		174,547.00
(4,268,002.00)	(978,373.11)	(8,879,568.14)
(4,268,002.00)	2,740,418.03	279,797.01
(61,929.89)	(120,452.04)	(277,295.02)
1,652,626.21	10,310,150.97	16,816,577.52
$ 1,590,696.32	$ 10,189,698.93	$ 16,539,282.50

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, 2009

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)			$	(277,295.02)
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:				
Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay ($2,503,776.74) was exceeded by depreciation expense ($2,617,936.64) in the current period.				(114,159.90)
In the Statement of Activities, gains and losses on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the changes in net assets differs from the change in fund balance by the cost of the capital assets sold.				(112,744.27)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.				1,060,216.17
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of funding, but in the Statement of Net Assets, the lease obligation is reported as a liability and does not affect the Statement of Activities.				(174,547.00)
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 Change in Premiums and Deferred Charges	$	(25,628.50)		
Net Increase in Compensated Absences		(54,617.64)		
Net Increase in OPEB Obligation		(601,212.72)		
Total Additional Expenditures				(681,458.86)
Expenditures in the Statement of Activities that do not require the use of current financial resources such as accrued interest payable, are not reported as expenditures in the funds.				2,551.25
Change in Net Assets of Governmental Activities (Exhibit 2)			$	(297,437.63)

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

Statement of Net Assets
Proprietary Fund
September 30, 2009

	Enterprise Fund Environmental Services Fund
Assets	
Current Assets	
Cash and Cash Equivalents	$ 505,109.19
Investments	327,614.14
Accrued Interest Receivable	1,934.88
Receivables (Note 4)	201,275.57
Total Current Assets	1,035,933.78
Noncurrent Assets	
Capital Assets, Net (Note 5)	1,581,043.60
Total Noncurrent Assets	1,581,043.60
Total Assets	2,616,977.38
Liabilities	
Current Liabilities	
Payables (Note 10)	201,820.74
Accrued Wages Payable	8,278.75
Estimated Liability for Compensated Absences	5,665.23
Total Current Liabilities	215,764.72
Noncurrent Liabilities	
Estimated Liability for Compensated Absences	16,727.05
Net OPEB Obligation	30,090.28
Total Noncurrent Liabilities	46,817.33
Total Liabilities	262,582.05
Net Assets	
Invested in Capital Assets	1,581,043.60
Unrestricted	773,351.73
Total Net Assets	$ 2,354,395.33

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

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2009

	Enterprise Fund Environmental Services Fund
Operating Revenues	
Charges for Services	$ 2,640,085.41
Total Operating Revenues	2,640,085.41
Operating Expenses	
Salaries and Benefits	1,034,537.47
Contractual and Professional Services	182,652.53
Materials and Supplies	173,168.09
Repairs and Maintenance	129,958.56
Rentals	8,112.80
Utilities	13,851.34
Insurance	67,259.77
Depreciation	184,086.13
Landfill Expenses	459,892.80
Miscellaneous	37,321.08
Total Operating Expenses	2,290,840.57
Operating Income (Loss)	349,244.84
Nonoperating Revenues (Expenses)	
Interest	9,423.52
Total Nonoperating Revenue (Expenses)	9,423.52
Change in Net Assets	358,668.36
Total Net Assets - Beginning of Year	1,995,726.97
Total Net Assets - End of Year	$ 2,354,395.33

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2009

	Enterprise Fund Environmental Services Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 2,640,684.14
Payments to Suppliers	(952,561.61)
Payments to Employees	(1,005,560.30)
Net Cash Provided by Operating Activities	682,562.23
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(1,159,694.68)
Net Cash (Used) by Capital and Related Financing Activities	(1,159,694.68)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Certificates of Deposit	(327,614.14)
Interest and Dividends	7,488.64
Net Cash Used by Investing Activities	(320,125.50)
Net Increase (Decrease) in Cash and Cash Equivalents	(797,257.95)
Cash and Cash Equivalents - Beginning of Year	1,302,367.14
Cash and Cash Equivalents - End of Year	505,109.19
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	349,244.84
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	184,086.13
Change in Assets and Liabilities:	
Receivables	598.73
Payables	119,655.36
Accrued Wages Payable	2,612.88
Compensated Absences	(3,725.99)
Net OPEB Obligation	30,090.28
Net Cash Provided by Operating Activities	$ 682,562.23

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

Statement of Fiduciary Net Assets
September 30, 2009

	Private-Purpose Trust Funds	Agency Funds
Assets		
Current Assets		
Cash	$ 959,573.33	$ 2,598,180.47
Investments	190,126.46	
Receivables (Note 4)	37,844.11	1,404,505.92
Total Current Assets	1,187,543.90	4,002,686.39
Total Assets	1,187,543.90	4,002,686.39
Liabilities		
Current Liabilities		
Payables (Note 10)	253,122.22	4,002,686.39
Total Current Liabilities	253,122.22	4,002,686.39
Total Liabilities	253,122.22	$ 4,002,686.39
Net Assets		
Held in Trust for Other Purposes	934,421.68	
Total Net Assets	$ 934,421.68	

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

Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2009

		Private-Purpose Trust Funds
Additions		
Local Taxes and Fees	$	345,793.68
Interest Earned		306.85
Miscellaneous		474,824.43
Total Additions		820,924.96
Deductions		
Administrative Expenses		996,127.83
Total Deductions		996,127.83
Change in Net Assets		(175,202.87)
Net Assets - Beginning of Year		1,109,624.55
Net Assets - End of Year	$	934,421.68

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

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Morgan 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 Morgan County 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. There are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ***General Fund*** – The general fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, accounted for in the general fund is employee health insurance to self-insure the Commission against liability claims.

- ***Gasoline Tax Fund*** – This fund is used to account for the expenditure of the County's share of the state-wide 7-cent gasoline tax. Revenues are earmarked for building and maintaining county roads.

- ***Public Buildings, Roads and Bridges Fund*** – This fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.

The Commission reports the following major enterprise fund:

- ***Environmental Services Fund*** – This fund is used to account for the cost of providing solid waste service to county residents.

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

Governmental Fund Types

- ***Special Revenue Funds*** – These funds are used to account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

- ***Debt Service Funds*** – These funds are used to account for the accumulation of resources for, and the payment of, the Commission's principal and interest on governmental bonds.

- ***Capital Projects Funds*** – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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 proprietary fund and 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. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Commission has not elected to follow subsequent private-sector guidance.

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

1. Deposits

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. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

2. Receivables

All ad valorem tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles for ad valorem tax is based on past collection experience.

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.

Receivables from external parties are amounts that are being held in a trustee or agency capacity by the fiduciary funds.

3. 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.

4. Restricted Assets

Certain general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The debt service funds are used to segregate resources accumulated for debt service payments.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets 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 and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 5,000	20-40 years
Equipment and Furniture	$ 5,000	5-20 years
Roads	$250,000	20-40 years
Bridges	$ 50,000	20-40 years
Dams	$100,000	20-40 years
Water and Sewer Systems	$100,000	20-40 years

The Commission began retroactively reporting its major general infrastructure assets (assets that were acquired between October 1, 1980 to September 30, 2002, or that received major renovations, restorations or improvements during that period) as of the fiscal year ending September 30, 2007.

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, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Warrant premiums, issuance costs and deferred loss on refunding are deferred and amortized over the life of the bonds. Warrants payable are reported gross of the applicable warrant premium and deferred loss on refunding. Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

7. Compensated Absences

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

Annual Leave

For the first through the fourth year each employee is credited 13 days of annual leave, the fifth to ninth years earns an employee 16.25 days of annual leave per year. The tenth through fourteenth years an employee earns 19.50 days per year. The fifteenth through the nineteenth years earns an employee 22.75 days of annual leave per year. Upon completion of the nineteenth year, an employee is credited with 26 days per year and each year thereafter. Unused annual leave credits may be accumulated and carried over into successive calendar years up to a maximum aggregate of 240 hours. Upon separation or retirement, employees are paid for all accrued annual leave.

Sick Leave

Sick leave benefits with pay are provided for permanent full-time employees in the amount of 12 workdays per fiscal year. Sick leave benefits are accrued by all non-probationary permanent full-time employees at a rate of 1 workday per month of continuous employment and credited each month. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees. There is no limit on the number of hours an employee may accrue. All unused sick leave is forfeited upon separation and is not compensated to the employee.

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act and is provided to permanent full-time employees to compensate for periods of work outside of normal working hours for which the employee has not received compensation. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Unused compensatory leave can be carried over 30 days, at the end of which, if not used is paid out at the overtime rate.

At September 30, 2009, no liability for unpaid sick leave is accrued in the financial statements since employees do not receive termination payments for sick leave balances.

8. Net Assets/Fund Equity

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

- ***Invested in Capital Assets, Net of Related Debt*** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.

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

- ***Unrestricted*** **–** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

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

Note 3 – Deposits

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 Depository 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.

Note 4 – Receivables

On September 30, 2009, receivables for the Commission's individual major funds, other governmental funds, business-type activities, and fiduciary funds in the aggregate are as follows:

	Governmental Activities				Business-Type Activities	
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total	Environmental Services Fund	Fiduciary Funds
Receivables:						
Accounts	$	$	$	$	$201,275.57	$
Due From Other Governments	604,920.33	154,386.09	527,688.09	1,286,994.51		1,442,350.03
Other Receivables	51,458.94	23.55	6,886.05	58,368.54		
Net Total Receivables	$656,379.27	$154,409.64	$534,574.14	$1,345,363.05	$201,275.57	$1,442,350.03

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, 2009, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Taxes	$12,930,942.27	$730,451.29
Grant Drawdowns Prior to Meeting All Eligibility Requirements		5,796.29
Total Deferred/Unearned Revenue for Governmental Funds	$12,930,942.27	$736,247.58

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance 10/01/2008	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2009
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,858,904.61	$	$	$ 2,858,904.61
Construction in Progress	46,067.54	745,981.25	(81,784.82)	710,263.97
Total Capital Assets Not Being Depreciated	2,904,972.15	745,981.25	(81,784.82)	3,569,168.58
Capital Assets Being Depreciated:				
Infrastructure	15,612,374.17	339,927.00		15,952,301.17
Buildings	33,928,440.64	421,784.82		34,350,225.46
Improvements Other Than Buildings	3,019,568.68	8,900.00		3,028,468.68
Equipment and Furniture	12,932,953.45	894,421.49	(391,202.10)	13,436,172.84
Assets Under Capital Lease	1,359,764.00	174,547.00	(270,853.00)	1,263,458.00
Total Capital Assets Being Depreciated	66,853,100.94	1,839,580.31	(662,055.10)	68,030,626.15
Less Accumulated Depreciation for:				
Infrastructure	(2,931,417.40)	(334,273.89)		(3,265,691.29)
Buildings	(7,369,253.60)	(850,011.98)		(8,219,265.58)
Improvements Other Than Buildings	(847,404.30)	(107,926.20)		(955,330.50)
Equipment and Furniture	(8,313,176.96)	(1,204,654.62)	442,388.98	(9,075,442.60)
Assets Under Capital Lease	(205,602.05)	(121,069.95)	106,921.85	(219,750.15)
Total Accumulated Depreciation	(19,666,854.31)	(2,617,936.64)	549,310.83	(21,735,480.12)
Total Capital Assets Being Depreciated, Net	47,186,246.63	(778,356.33)	(112,744.27)	46,295,146.03
Total Governmental Activities Capital Assets, Net	$ 50,091,218.78	$ (32,375.08)	$(194,529.09)	$ 49,864,314.61

	Balance 10/01/2008	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2009
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	$ 21,028.00	$1,100,707.68	$	$ 1,121,735.68
Total Capital Assets Not Being Depreciated	21,028.00	1,100,707.68		1,121,735.68
Capital Assets Being Depreciated:				
Buildings	32,808.00			32,808.00
Improvements Other than Buildings	10,214.30			10,214.30
Equipment and Furniture	2,111,177.16	58,987.00		2,170,164.16
Total Capital Assets Being Depreciated	2,154,199.46	58,987.00		2,213,186.46
Less Accumulated Depreciation:				
Buildings	(21,337.03)	(1,546.65)		(22,883.68)
Improvements Other Than Buildings	(6,426.56)	(510.72)		(6,937.28)
Equipment and Furniture	(1,542,028.82)	(182,028.76)		(1,724,057.58)
Total Accumulated Depreciation	(1,569,792.41)	(184,086.13)		(1,753,878.54)
Total Capital Assets Being Depreciated, Net	584,407.05	(125,099.13)		459,307.92
Total Business-Type Activities Capital Assets, Net	$ 605,435.05	$ 975,608.55	$	$ 1,581,043.60

	Balance 10/01/2008	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2009
Fiduciary Fund:				
Capital Assets Being Depreciated:				
Motor Vehicles	$ 24,752.75	$	$(24,752.75)	$
Total Capital Assets Being Depreciated	24,752.75		(24,752.75)	
Less Accumulated Depreciation for:				
Motor Vehicles	(24,752.75)		24,752.75	
Total Accumulated Depreciation	(24,752.75)		24,752.75	
Total Capital Assets Being Depreciated, Net				
Total Fiduciary Fund Capital Assets, Net	$	$	$	$

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 565,532.51
Public Safety	847,004.78
Highways and Roads	910,638.69
Sanitation	33,097.45
Health	12,635.72
Welfare	176,140.17
Culture and Recreation	72,887.32
Total Depreciation Expense - Governmental Activities	$2,617,936.64

	Current Year Depreciation Expense
Business-Type Activities:	
Sanitation	$184,086.13
Total Depreciation Expense - Business-Type Activities	$184,086.13

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the period ending September 30, 2009 was 7.80 percent based on the actuarial valuation performed as of September 30, 2007. Morgan County Commission elected to come under the provisions of Act Number 2008-555, Acts of Alabama, which provided a one-time lump sum payment to eligible benefit recipients whose effective date of retirement was prior to October 1, 2008. This election caused the employer contribution rate to change from 7.80 percent to 7.99 percent as of October 1, 2008.

C. Annual Pension Cost

For the year ended September 30, 2009, the Commission's annual pension cost of $1,012,009.39 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, 2007, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 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, 2007, was 18 years.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2009	$1,012,009	100%	$0
09/30/2008	$ 892,461	100%	$0
09/30/2007	$ 813,424	100%	$0

D. Funded Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the plan was 83.2 percent funded. The actuarial accrued liability for benefits was $31,703,468 and the actuarial value of assets was $26,374,704, resulting in an unfunded actuarial accrued liability (UAAL) of $5,328,764. The covered payroll (annual payroll of active employees covered by the plan) was $12,353,902 and the ratio of the UAAL to the covered payroll was 43.10 percent.

The Schedule of Funding Progress, presented as RSI following the notes to the 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 Morgan County Commission provides a single-employer defined benefit postemployment healthcare plan administered by Blue Cross and Blue Shield of Alabama. The plan provides medical, dental, and prescription drug insurance benefits to eligible retirees and their spouses. The ***Code of Alabama 1975***, Section 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. The provisions of GASB Statement Number 45, ***Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions***, were implemented prospectively.

B. Funding Policy

The Commission’s contributions were on a pay-as-you-go basis as of September 30, 2009. The Commission does not anticipate setting up a trust fund within the next two years to fund its postemployment medical, dental, and prescription drug plans.

The Commission contributes 76% of the cost of current-year premiums for eligible retiree’s medical insurance premiums for family coverage and 65% for single coverage. The Commission determines its contribution amounts annually during the budget hearings. For fiscal year 2009, the Commission contributed $192,891.48 to cover approximately twenty-two participants. Plan members receiving benefits contribute $260.00 for family coverage cost and $180.00 for single coverage costs. For fiscal year 2009, total retired member contributions were $56,303.00.

C. Annual OPEB Cost

For fiscal year 2009, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, dental, and prescription drug insurance was $631,303.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	$631,303	0%	$631,303

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	$ 6,110,258
Actuarial Value of Plan Assets	0.00
Unfunded Actuarial Accrued Liability (UAAL)	$ 6,110,258
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	$11,972,767
UAAL as a Percentage of Covered Payroll	51.0%

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

E. Actuarial Methods and Assumptions

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

The actuarial cost method used was the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included a four percent investment rate of return assumption and an annual healthcare cost trend rate of 11.0% initially, reduced by decrements to an ultimate rate of 5.0% after seven years. It was assumed that 90% 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 payroll on a open period. The unfunded actuarial accrued liability (UAAL) is being amortized over thirty years.

Note 8 – Construction and Other Significant Commitments

During the audit period, the Commission continued construction on new facilities for Morgan County Animal Control and Morgan County Environmental Services. Construction costs were originally estimated to be $903,433 for the Animal Control facility and $1,031,348 for the Environmental Services facility, according to bids received on December 16, 2008. As of April 26, 2010, the revised contract sum totaled $2,190,349. At September 30, 2009 $358,349.46 in costs remained on the contract.

Note 9 – Contingent Liabilities

The Commission is involved in litigation or threatened litigation in which the other parties are seeking either remedies to certain conditions or monetary compensation. An estimate of the range of potential loss cannot be made at this time.

Note 10 – Payables

On September 30, 2009, payables for the Commission's individual major funds, other governmental funds, enterprise funds, and fiduciary funds in the aggregate are as follows:

	Vendors	Due to Other Governments	Claims Costs Payable	Due To External Parties	Total Payables
Governmental Activities:					
General Fund	$300,609.11	$ 15.47	$10,351.08	$ 89.83	$ 311,065.49
Gasoline Tax Fund	144,542.45				144,542.45
Public Buildings, Roads and Bridges Fund	3,397.17	.			3,397.17
Other Governmental Funds	229,129.86				229,129.86
Total Governmental Activities	$677,678.59	$ 15.47	$10,351.08	$ 89.83	$ 688,134.97
Business-Type Activities	$201,820.74	$	$	$	$ 201,820.74
Fiduciary Funds	$ 12,658.05	$2,525,311.04	$	$1,717,839.52	$4,255,808.61

Note 11 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $1,263,458.00 for governmental activities at September 30, 2009. 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. Until that time, the leased equipment will be identified separately in the Notes to the Financial Statements. 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.

Fiscal Year Ending	Governmental Activities
September 30, 2010	$370,015.22
2011	285,574.79
2012	98,569.36
2013	38,000.64
2014	12,666.88
Total Minimum Lease Payments	804,826.89
Less: Amount Representing Interest	(39,615.93)
Present Value of Net Minimum Lease Payments	$765,210.96

Note 12 – Long-Term Debt

The Commission issued General Obligation Bonds in the year 2000 to provide funds for the construction of Trico Steel, a plant to be built in Morgan County with variable rates of 3.9 to 4.1 percent.

In 2000, Taxable General Obligation Warrants were issued with an interest rate of 2.8 percent for the repair and construction of county-owned public buildings.

In June 2003, General Obligation Warrants were issued with variable interest rates of 2.4 to 4.5 percent to refund the 1995 Bond Issue and for additional capital necessary to build the new court-ordered jail.

In August 2004, General Obligation Warrants were issued with variable interest rates of 4.4 to 5 percent to build the new jail.

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2009:

	Debt Outstanding 10/01/2008	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2009	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
Trico General Obligation Warrants, 2000	$ 2,035,000.00	$	$ (130,000.00)	$ 1,905,000.00	$ 140,000.00
General Obligation Warrants, 2000	805,000.00			805,000.00	
General Obligation Warrants, 2003	12,035,000.00		(595,000.00)	11,440,000.00	610,000.00
General Obligation Warrants, 2004	11,000,000.00			11,000,000.00	
Total Bonds Payable	25,875,000.00		(725,000.00)	25,150,000.00	750,000.00
Add: Bond Premium	39,031.13		(1,887.28)	37,143.85	1,887.28
Less: Deferred Loss on Refunding	(9,977.00)		4,988.50	(4,988.50)	(4,988.50)
Warrants Payable, Net	25,904,054.13		(721,898.78)	25,182,155.35	746,898.78
Capital Leases Payable	925,880.13	174,547.00	(335,216.17)	765,210.96	345,934.39
Estimated Liability for Compensated Absences	841,739.10	54,617.64		896,356.74	244,708.01
Governmental Activities Long-Term Liabilities	$27,671,673.36	$229,164.64	$(1,057,114.95)	$26,843,723.05	$1,337,541.18
Business-Type Activities:					
Other Liabilities:					
Estimated Liability for Compensated Absences	26,118.27		(3,725.99)	22,392.28	5,665.23
Business-Type Activities Long-Term Liabilities	$ 26,118.27	$	$ (3,725.99)	$ 22,392.28	$ 5,665.23

Payments on the bonds payable that pertain to the Commission's governmental activities are made by the General Fund, Capital Projects Funds, and Debt Service Funds.

The capital lease liability for governmental activities will be liquidated mainly by the Gasoline Tax Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. The majority of the liability will be liquidated through the Commission's General Fund and Gasoline Tax Fund. The remainder will be liquidated by other governmental funds.

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

	Series 2000 Trico General Obligation Warrants		Public Buildings General Obligation Warrants		Series 2003 General Obligation Warrants	
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2010	$ 140,000.00	$144,047.50	$	$ 46,410.00	$ 610,000.00	$ 221,745.00
2011	150,000.00	132,665.00	30,000.00	45,547.50	600,000.00	425,190.00
2012	160,000.00	120,497.50	35,000.00	43,678.75	620,000.00	405,690.00
2013	175,000.00	107,348.75	35,000.00	41,666.25	640,000.00	386,160.00
2014	190,000.00	93,022.50	35,000.00	39,653.75	660,000.00	365,360.00
2015-2019	985,000.00	216,017.25	425,000.00	158,018.75	3,680,000.00	1,455,200.00
2020-2024	105,000.00	4,121.25	245,000.00	7,105.00	4,630,000.00	552,510.00
2025-2029						
Total	$1,905,000.00	$817,773.75	$805,000.00	$382,080.00	$11,440,000.00	$3,811,855.00

Bond Issuance Costs, Deferred Charges on Refunding and Discounts

The Commission has bond issuance costs as well as bond premiums in connection with the issuance of its 2003 General Obligation Warrants. The issuance costs and bond premiums are being amortized using the straight-line method over a period of twenty years. There are deferred charges on refunded debt which are being amortized using the straight-line method over a period of 8 years (the remaining life of the refunded debt), and will be reported as an adjustment of interest expense over the life of the refunded debt.

Series 2004 General Obligation Warrants		Capital Lease Contracts Payable		Total Principal and Interest Requirements
Principal	Interest	Principal	Interest	to Maturity
$	$ 273,812.50	$345,934.39	$24,080.83	$ 1,806,030.22
	547,625.00	274,913.60	10,661.19	2,216,602.29
	547,625.00	94,891.71	3,677.65	2,031,060.61
	547,625.00	36,893.33	1,107.31	1,970,800.64
	547,625.00	12,577.93	88.95	1,943,328.13
	2,738,125.00			9,657,415.00
2,055,000.00	2,681,200.00			10,279,936.25
8,945,000.00	1,386,750.00			10,331,750.00
$11,000,000.00	$9,270,387.50	$765,210.96	$39,615.93	$40,236,923.14

The Commission has bond issuance costs as well as bond premiums in connection with the issuance of its 2004 General Obligation Warrants. The issuance costs and bond premiums are being amortized using the straight-line method over a period of twenty-five years.

	Issuance Costs	Deferred Charges on Refunding	Premiums
Total Issuance Costs, Deferred Charges on Refunding and Premium	$ 508,255.96	$ 36,166.63	$46,854.55
Amount Amortized in Prior Years	(105,697.49)	(26,189.63)	(7,823.42)
Balance Issuance Costs, Deferred Charges on Refunding and Premium	402,558.47	9,977.00	39,031.13
Current Amount Amortized	(22,527.28)	(4,988.50)	(1,887.28)
Balance Issuance Costs, Deferred Charges on Refunding and Premium	$ 380,031.19	$ 4,988.50	$37,143.85

Note 13 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through a commercial carrier. The Commission pays an annual premium based on the Commission's individual claims experience. Coverage is provided up to $2,000,000.00 per claim for a maximum total coverage of $6,000,000.00.

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. Premiums are based on a rate per $100 of remuneration for each class of employee, which is adjusted by an experience modifier for the individual county less a 15% discount. At year-end, 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 and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

The schedule below presents the changes in claims liabilities for the past two years for the self-insured activity of employee health insurance.

Fiscal Years	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007-2008	$ 3,322.19	$2,721,017.45	$2,682,684.53	$41,655.11
2008-2009	$41,655.11	$3,006,733.32	$3,038,037.35	$10,351.08

Note 14 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2009, were as follows:

	Interfund Receivables		
	General Fund	Other Governmental Fund	Totals
Interfund Payables			
General Fund	$	$214,467.30	$ 214,467.30
Other Governmental Funds	992,486.73		992,486.73
Total	$992,486.73	$214,467.30	$1,206,954.03

Advances To/From Other Funds

	Advances Due From General Fund
Advances Due To:	
Other Governmental Funds	$60,000

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2009, were as follows:

	Transfers Out			
	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	Totals
Transfers In:				
General Fund	$	$1,960,342.00	$700,000.00	$2,660,342.00
Gasoline Tax Fund		2,307,660.00	222,000.00	2,529,660.00
Other Governmental Funds	3,633,193.03		56,373.11	3,689,566.14
Total	$3,633,193.03	$4,268,002.00	$978,373.11	$8,879,568.14

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

Note 15 – Related Organizations

A majority of the members of the boards of the agencies listed below are appointed by the Morgan County Commission. The Commission, however, is not financially accountable, because it does not impose its will nor does it have a financial benefit or burden relationship with the agencies. Additionally, the agencies are not considered part of the Commission's financial reporting entity. The agencies presented below are considered related organizations of the County Commission.

Related Organizations
Decatur-Morgan County Port Authority
Northeast Morgan County Water and Fire Protection Authority
West Morgan East Lawrence Water and Sewer Authority
State Products Mart Authority

Note 16 – Subsequent Events

On June 8, 2010, the Morgan County Commission authorized the issuance of General Obligation Warrants, Series 2010, in the principal amount of $3,085,000.00. This warrant issue is dated June 1, 2010. The warrants will bear interest that ranges from 2.00 to 3.25 percent and will mature in 2020. The purpose of this issue is to currently refund the Series 2000 General Obligation Taxable Warrants and the Series 2000 TRICO General Obligation Warrants.

On September 23, 2010, the bid to build the Neel Senior Center was awarded to Etech Construction, the lowest responsible bidder. The project will be funded using a $250,000.00 Community Development Block Grant.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 12,513,063.00	$ 12,505,921.00	$ 13,018,682.46
Licenses and Permits	153,460.00	153,460.00	212,218.10
Intergovernmental	1,122,491.00	1,248,706.00	1,431,978.55
Charges for Services	4,413,820.00	4,413,820.00	4,662,681.76
Miscellaneous	631,443.00	631,443.00	578,526.57
Total Revenues	18,834,277.00	18,953,350.00	19,904,087.44
Expenditures			
Current:			
General Government	6,569,535.00	7,677,880.00	6,294,569.40
Public Safety	10,393,586.00	10,640,348.10	10,787,491.54
Health	453,197.00	489,317.00	501,291.75
Welfare	175,465.00	177,985.00	170,040.58
Culture and Recreation	252,884.00	252,884.00	254,498.87
Education	50,000.00	50,000.00	50,000.00
Capital Outlay	374,058.00	488,287.10	933,242.12
Debt Service:			
Principal Retirement			5,854.01
Interest and Fiscal Charges			902.12
Total Expenditures	18,268,725.00	19,776,701.20	18,997,890.39
Excess (Deficiency) of Revenues Over Expenditures	565,552.00	(823,351.20)	906,197.05
Other Financing Sources (Uses)			
Transfers In	1,960,342.00	2,989,676.00	2,660,342.00
Sale of Capital Assets	15,356.00	22,638.00	11,432.00
Transfers Out	(3,413,879.00)	(3,632,872.00)	(3,633,193.03)
Total Other Financing Sources (Uses)	(1,438,181.00)	(620,558.00)	(961,419.03)
Net Change in Fund Balances	(872,629.00)	(1,443,909.20)	(55,221.98)
Fund Balances - Beginning of Year	3,959,751.86	3,959,751.86	3,569,597.29
Fund Balances - End of Year	$ 3,087,122.86	$ 2,515,842.66	$ 3,514,375.31

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 13,018,682.46
	212,218.10
	1,431,978.55
	4,662,681.76
	578,526.57
	19,904,087.44
	6,294,569.40
	10,787,491.54
	501,291.75
	170,040.58
	254,498.87
	50,000.00
	933,242.12
	5,854.01
	902.12
	18,997,890.39
	906,197.05
	2,660,342.00
	11,432.00
	(3,633,193.03)
	(961,419.03)
	(55,221.98)
	3,569,597.29
$	$ 3,514,375.31

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2009

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis
Revenues			
Intergovernmental	$ 1,897,000.00	$ 1,897,000.00	$ 1,889,167.31
Miscellaneous	59,101.00	59,101.00	28,351.51
Total Revenues	1,956,101.00	1,956,101.00	1,917,518.82
Expenditures			
Current:			
Highways and Roads	4,618,138.00	4,092,779.00	3,923,683.40
Capital Outlay	230,850.00	396,547.00	440,124.62
Debt Service:			
Principal Retirement	100,481.00	327,481.00	326,853.29
Interest and Fiscal Charges	7,359.00	35,359.00	35,348.63
Total Expenditures	4,956,828.00	4,852,166.00	4,726,009.94
Excess (Deficiency) of Revenues Over Expenditures	(3,000,727.00)	(2,896,065.00)	(2,808,491.12)
Other Financing Sources (Uses)			
Transfers In	2,529,660.00	2,529,660.00	2,529,660.00
Sale of Capital Assets		64,000.00	64,593.01
Inception of Capital Leases		174,547.00	174,547.00
Total Other Financing Sources (Uses)	2,529,660.00	2,768,207.00	2,768,800.01
Net Change in Fund Balances	(471,067.00)	(127,858.00)	(39,691.11)
Fund Balances - Beginning of Year	1,814,322.43	1,317,586.43	1,284,203.05
Fund Balances - End of Year	$ 1,343,255.43	$ 1,189,728.43	$ 1,244,511.94

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 1,889,167.31
	28,351.51
	1,917,518.82
	3,923,683.40
	440,124.62
	326,853.29
	35,348.63
	4,726,009.94
	(2,808,491.12)
	2,529,660.00
	64,593.01
	174,547.00
	2,768,800.01
	(39,691.11)
	1,284,203.05
$	$ 1,244,511.94

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Public Buildings, Roads and Bridges Fund For the Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	**Final**	**Budgetary Basis**
Revenues			
Taxes	$ 4,245,500.00	$ 4,245,500.00	$ 4,350,919.01
Intergovernmental	47,502.00	47,502.00	46,528.82
Miscellaneous	100,000.00	100,000.00	25,175.69
Total Revenues	4,393,002.00	4,393,002.00	4,422,623.52
Expenditures			
Current:			
General Government	25,000.00	25,000.00	11,862.00
Highways and Roads	75,000.00	201,600.00	178,068.73
Capital Outlay			26,620.68
Total Expenditures	100,000.00	226,600.00	216,551.41
Excess (Deficiency) of Revenues Over Expenditures	4,293,002.00	4,166,402.00	4,206,072.11
Other Financing Sources (Uses)			
Transfers Out	(4,268,002.00)	(4,268,002.00)	(4,268,002.00)
Total Other Financing Sources (Uses)	(4,268,002.00)	(4,268,002.00)	(4,268,002.00)
Net Change in Fund Balances	25,000.00	(101,600.00)	(61,929.89)
Fund Balances - Beginning of Year	1,884,431.21	1,786,507.21	1,652,626.21
Fund Balances - End of Year	$ 1,909,431.21	$ 1,684,907.21	$ 1,590,696.32

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 4,350,919.01
	46,528.82
	25,175.69
	4,422,623.52
	11,862.00
	178,068.73
	26,620.68
	216,551.41
	4,206,072.11
	(4,268,002.00)
	(4,268,002.00)
	(61,929.89)
	1,652,626.21
$	$ 1,590,696.32

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Schedule of Funding Progress
Defined Benefit Pension Plan
For the Year Ended September 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2008	$26,374,704	$31,703,468	$5,328,764	83.20%	$12,353,902	43.10%
09/30/2007	$25,352,638	$29,317,346	$3,964,707	86.50%	$11,567,370	34.30%
09/30/2006**	$23,560,072	$27,740,977	$4,180,905	84.90%	$10,974,271	38.10%

* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
** Reflects changes in actuarial assumptions.

Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2008	$0	$6,110,258	$6,110,258	0.0%	$11,972,767	51.00%

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Justice		
Passed Through Alabama Department of Economic and Community Affairs		
Juvenile Accountability Incentive Block Grant	16.523	06-JB-01-001
Juvenile Accountability Incentive Block Grant	16.523	07-JB-15-002
Sub-Total Juvenile Accountability Incentive Block Grant		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07-DJ-01-030
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07-DH-05-114
Sub-Total Edward Byrne Memorial Justice Assistance Grant Program		
Total U. S. Department of Justice		
U. S. Department of Transportation		
Passed Through Alabama Department of Transportation		
Federal Transit Formula Grants (M)	20.507	Section 5311
Formula Grants for Other Than Urbanized Areas (M)	20.509	Section 5307
Passed Through Northwest-Shoals Community College		
State and Community Highway Safety	20.600	08-SP-ST-PT-001
Total U. S. Department of Transportation		
U. S. General Services Administration		
Passed Through Alabama Department of Economic and Community Affairs		
Donation of Federal Surplus Personal Property (N)	39.003	N.A.
U. S. Department of Health and Human Services		
Passed Through North Alabama Regional Council of Governments		
Special Programs for the Aging, Title III, Part D - Disease Prevention and Health Promotion Services	93.043	N.A.
Special Programs for the Aging, Title III, Part C - Nutrition Services	93.045	N.A.
Total U. S. Department of Health and Human Services		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
10/01/2007-05/29/2009	$ 66,666.67	$ 60,000.00	$ 19,232.95	$ 19,232.95
10/01/2008-09/30/2009	66,666.67	60,000.00	60,000.00	60,000.00
	133,333.34	120,000.00	79,232.95	79,232.95
10/01/2008-09/30/2009	168,453.63	84,226.81	84,218.45	84,218.45
01/01/2009-12/30/2009	27,777.78	25,000.00	24,512.76	24,512.76
	196,231.41	109,226.81	108,731.21	108,731.21
	329,564.75	229,226.81	187,964.16	187,964.16
10/01/2008-09/30/2009	582,597.00	582,597.00	362,479.00	362,479.00
10/01/2008-09/30/2009	352,815.00	352,815.00	258,383.00	258,383.00
10/01/2008-09/30/2009	7,466.92	7,466.92	7,466.92	7,466.92
	942,878.92	942,878.92	628,328.92	628,328.92
10/01/2008-09/30/2009			29,532.07	29,532.07
10/01/2008-09/30/2009	6,400.00	6,400.00	6,400.00	6,400.00
10/01/2008-09/30/2009	35,430.00	35,430.00	35,430.00	35,430.00
	41,830.00	41,830.00	41,830.00	41,830.00
	$ 1,314,273.67	$ 1,213,935.73	$ 887,655.15	$ 887,655.15

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Homeland Security		
Passed Through the Alabama Department of Homeland Security		
Homeland Security Grant Program	97.067	N.A.
Passed Through the Alabama Department of Public Health		
Passed Through the City of Huntsville		
Homeland Security Grant Program	97.067	9SNS
Sub-Total Homeland Security Grant Program		
Passed Through Alabama Department of Emergency Management		
Emergency Management Performance Grants	97.042	08-EMPG-52
Emergency Management Performance Grants	97.042	9EMF
Sub-Total Emergency Management Performance Grants		
Total U. S. Department of Homeland Security		
U. S. Department of the Interior		
Direct Program		
Payments in Lieu of Taxes	15.226	
Other Federal Assistance		
Tennessee Valley Authority		
Passed Through State of Alabama Department of Emergency Management		
Radiological Emergency Plans	N.A.	
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Non-Cash Assistance
N.A. = Not Available

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

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 1,314,273.67	$ 1,213,935.73	$ 887,655.15	$ 887,655.15
10/01/2008-09/30/2009	182,832.19	182,832.19	76,846.29	76,846.29
06/11/2009-08/08/2009	5,150.00	5,150.00	5,150.00	5,150.00
	187,982.19	187,982.19	81,996.29	81,996.29
10/01/2007-03/31/2009	61,925.00	61,925.00	9,262.85	9,262.85
10/01/2008-09/30/2009	65,335.00	65,335.00	65,335.00	65,335.00
	127,260.00	127,260.00	74,597.85	74,597.85
	315,242.19	315,242.19	156,594.14	156,594.14
10/01/2008-09/30/2009	36,057.00	36,057.00	36,057.00	36,057.00
10/01/2008-09/30/2009	115,375.00	115,375.00	115,375.00	115,375.00
	$ 1,780,947.86	$ 1,680,609.92	$ 1,195,681.29	$ 1,195,681.29

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2009

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Morgan 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 basic financial statements.

Note 2 – Subrecipients

Of the federal expenditures presented in the schedule, the Morgan County Commission provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Payments in Lieu of Taxes	15.226	$22,099.34

Additional Information

Commission Members and Administrative Personnel
October 1, 2008 through September 30, 2009

Commission Members			Term Expires
Hon. John Y. Glasscock	Chairman	1474 Vaughn Bridge Rd. Hartselle, AL 35640	November 2010
Hon. Jeff Clark	Member	46 Shannon Dr., S.E. Decatur, AL 35603	November 2010
Hon. Kenneth Livingston	Member	148 Tall Pine Rd. Hartselle, AL 35640	November 2010
Hon. Don Stisher	Member	28 Fred Smith Rd. Falkville, AL 35622	November 2012
Hon. Greg Abercrombie	Member	257 D. Q. Draper Rd. Valhermoso Springs, AL 35775	November 2012
Hon. Stacy Lee George	Member	574 St. John Rd. Baileyton, AL 35019	November 2008
Hon. Kevin Murphy	Member	57 Dunlap Rd. Falkville, AL 35622	November 2008
Administrative Personnel			
Ms. Syble W. Atkins	Administrator	1809 Pin Oak Cir. S.W. Decatur, AL 35603	Indefinite

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Morgan County Commission (the "Commission") as of and for the year ended September 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

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

Ronald L. Jones
Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

December 17, 2010

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the Morgan County Commission (the "Commission") with the types of compliance requirements described in the ***U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** that are applicable to each of its major federal programs for the year ended September 30, 2009. The Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal controls over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2009-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described above to be a material weakness.

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

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

Ronald L. Jones
Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

December 17, 2010

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______ 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 that are not considered to be material weakness(es)?	__X__ Yes	______ None reported
Type of opinion issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	__X__ Yes	______ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.507	Federal Transit – Formula Grants
20.509	Formula Grants for Other Than Urbanized Areas

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000.00	
Auditee qualified as low-risk auditee?	______ Yes	__X__ No

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
2009-1	20.507 20.509	U. S. Department of Transportation; Passed Through Alabama Department of Transportation; Federal Transit – Formula Grants (Urbanized Area Formula Program) and Formula Grants for Other Than Urbanized Areas	**Finding:** Adequate internal control procedures were not in place for program income to ensure that cash collected by bus drivers was properly safeguarded and reconciled with the tickets to ensure that all funds collected were deposited. Also drivers were not present when funds were counted by the office personnel to ensure that all funds turned in to the office were deposited. **Recommendation:** Lockboxes should be used onboard vehicles and fares collected should be reconciled to tickets sold to ensure that controls over program income are adequate. Also, the monies should be counted in the presence of the driver and a receipt issued at that time.	N/A

Auditee Response/Corrective Action Plan

MORGAN COUNTY COMMISSION

OFFICE OF THE CHAIRMAN

RAY LONG

MRS. BELINDA G. EALEY
Chief Administrative Officer

MRS. CAROL LONG
Deputy Chief Administrative Officer

December 20, 2010

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

RE: FY 2008-2009 Audit – Morgan County Commission

Dear Mr. Jones:

The Morgan County Commission submits the Corrective Action Plan for the Year Ended September 30, 2009 Audit of Funds.

Corrective Action Plan
For the Year Ended September 30, 2009

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 **Morgan 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, 2009.

Finding
Ref
No. **Corrective Action Plan Details**

2009-1 Finding: Adequate internal control procedures were not in place for program income to ensure that cash collected by bus drivers was properly safeguarded and reconciled with the tickets to ensure that all funds collected were deposited. Also drivers were not present when funds were counted by the office personnel to sure that all funds turned in to the office were deposited.

Response: Control procedures have been discussed with MCATS director, Debra Rains. They have begun selling a two part numbered ticket, to ensure better control over the tickets sold. To comply with safeguarding the funds the department is in process of obtaining specifications for purchasing locking fare boxes. These boxes will be installed on each bus. We hope this will be ready for bid in late spring. Also, we have routing software that we believe will be installed by early summer. This software will allow the driver to keep up with the number of passengers riding the bus, which can be reconciled at the end of the day with monies collected. MCATS Director, Debra Rains, has been asked to develop procedures to ensure the drivers verify the funds turned in are actually the funds deposited by office personnel. The commission is looking at possibly conducting internal audits of this department, to further ensure compliance.

Respectfully,

Ray Long, Chairman
Morgan County Commission