

Report on the

Morgan County Commission

Morgan County, Alabama

October 1, 2010 through September 30, 2011

Filed: March 8, 2013



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner



State of Alabama
 Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
 50 North Ripley Street, Room 3201
 Montgomery, Alabama 36104-3833
 Telephone (334) 242-9200
 FAX (334) 242-1775

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, we submit this report on the results of the audit of the Morgan County Commission, Morgan County, Alabama, for the period October 1, 2010 through September 30, 2011.

Respectfully submitted,

M. Lynn Benson
 Examiner of Public Accounts

Dixie A. Broadwater
 Examiner of Public Accounts

Sworn to and subscribed before me this
 the 19~~th~~ day of February, 2013.

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
 MY COMMISSION EXPIRES: July 28, 2014
 BONDED THRU NOTARY PUBLIC UNDERWRITER

Sworn to and subscribed before me this
 the 21 day of February, 2013.

Notary Public

rb



Table of Contents

| | <i>Page</i> |
|---|-------------|
| Summary | A |
| <p>Contains items pertaining to federal, state and local legal compliance, Commission operations, and other matters.</p> | |
| Independent Auditor's Report | B |
| <p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p> | |
| Management's Discussion and Analysis | E |
| <p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p> | |
| <u>Basic Financial Statements</u> | 1 |
| <p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.</p> | |
| Exhibit #1 | 2 |
| Exhibit #2 | 4 |
| Exhibit #3 | 6 |
| Exhibit #4 | 8 |
| Exhibit #5 | 9 |
| Exhibit #6 | 11 |
| Exhibit #7 | 12 |

Table of Contents

| | <i>Page</i> |
|---|-------------|
| Exhibit #8 Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Fund | 13 |
| Exhibit #9 Statement of Cash Flows – Proprietary Fund | 14 |
| Exhibit #10 Statement of Fiduciary Net Assets | 15 |
| Exhibit #11 Statement of Changes in Fiduciary Net Assets | 16 |
| Notes to the Financial Statements | 17 |
| <u>Required Supplementary Information</u> | 44 |
| Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information. | |
| Exhibit #12 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 45 |
| Exhibit #13 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund | 51 |
| Exhibit #14 Schedule of Funding Progress – Defined Benefit Pension Plan | 55 |
| Exhibit #15 Schedule of Funding Progress – Other Postemployment Benefits | 56 |
| <u>Supplementary Information</u> | 57 |
| Contains financial information and notes relative to federal financial assistance. | |
| Exhibit #16 Schedule of Expenditures of Federal Awards | 58 |
| Notes to the Schedule of Expenditures of Federal Awards | 64 |

Table of Contents

| | | <i>Page</i> |
|--|--|-------------|
| <u>Additional Information</u> | | 65 |
| <p>Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.</p> | | |
| Exhibit #17 | Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel. | 66 |
| Exhibit #18 | Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements. | 67 |
| Exhibit #19 | Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program. | 69 |
| Exhibit #20 | Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133. | 72 |



Department of
Examiners of Public Accounts

SUMMARY

**Morgan County Commission
October 1, 2010 through September 30, 2011**

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 17. 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 basic financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2011.

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

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: Chairman of the County Commission: Ray Long; Former Chairman of Commission: John Glasscock; Administrator of the County Commission: Belinda Ealey; and County Commissioners: Jeff Clark, Kenneth Livingston, Don Stisher, Greg Abercrombie and Randy Vest. The following individuals attended the exit conference, held at the offices of the County Commission: Chairman of the County Commission: Ray Long; Former Chairman of the County Commission: John Glasscock; and County Commissioners: Don Stisher, and Randy Vest; and representatives of the Department of Examiners of Public Accounts: Randy O'Bannon, Audit Manager, Lynn Benson, Examiner of Public Accounts and Dixie Broadwater, Examiner of Public Accounts.

This Page Intentionally Blank

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, 2011, 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.

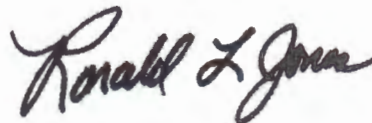
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Morgan County Commission, as of September 30, 2011, 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 implemented GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the fiscal year ended September 30, 2011. This resulted in a change in the format and method of reporting fund balance in the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2013 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 15) 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 16) 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

February 14, 2013

This Page Intentionally Blank

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, 2011. Please read it in conjunction with the Commission's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

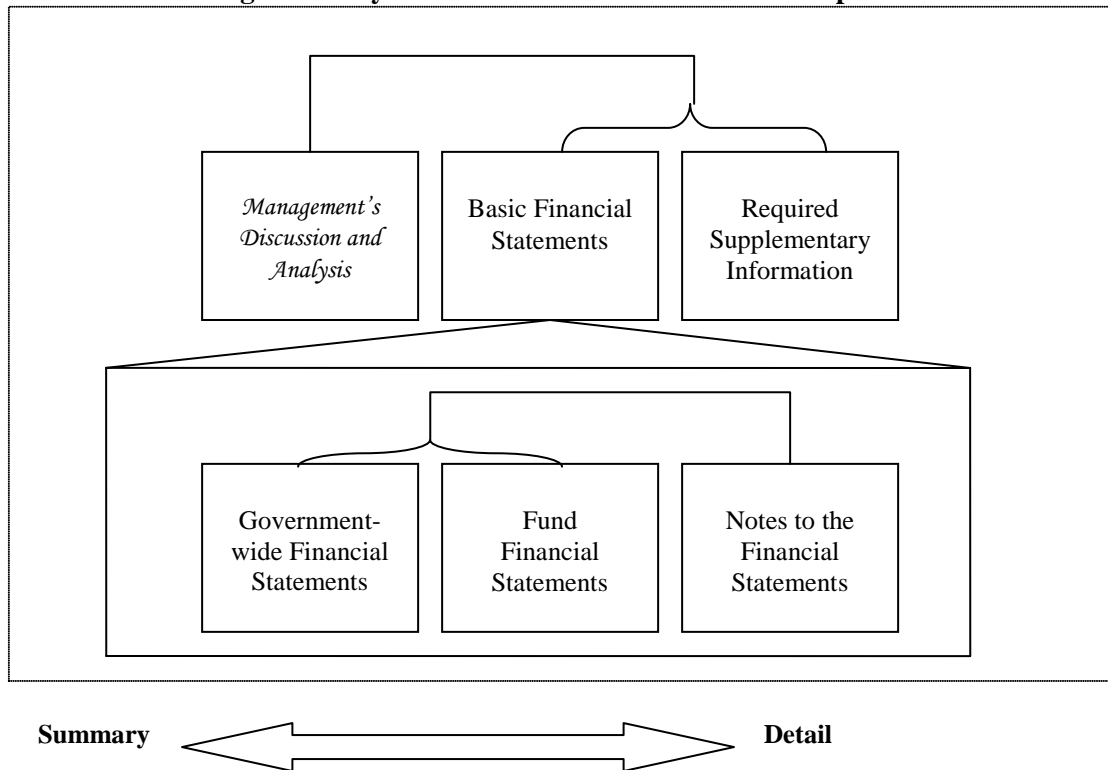
- The Commission's total net assets increased by \$30,796.00 over the course of the year's operations. Net assets of our business-type activities increased by \$394,952.00 (or approximately 14.31%), while the net assets of our governmental activities decreased by \$364,156.00 (or .99%)
- In the County's governmental activities, expenses decreased by \$1,134,670.00 or approximately 3.04%, while revenues increased by \$1,017,699.00 (or approximately 2.92%).
- In the County's business-type activities, operating expenses decreased by 4.47%, while operating revenues decreased by approximately .64%
- The General Fund used \$1,109,626.00 in prior year reserves to finance current year programs. The Gasoline Tax Fund reserve increased by \$387,467.00. Other Governmental Funds reserve decreased by \$46,341.00.

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 | <ul style="list-style-type: none"> • Statement of net assets • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • 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

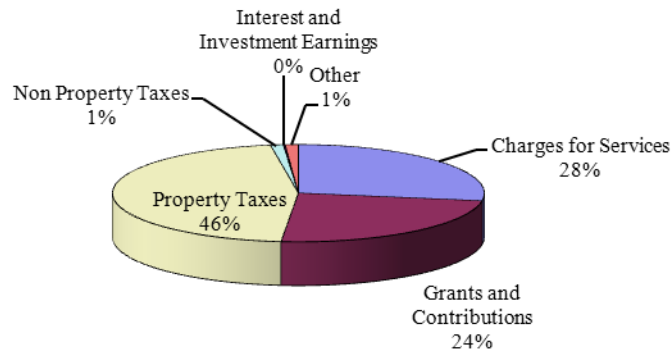
Net Assets. The Commission’s combined net assets increased between fiscal years 2010 and 2011 by approximately \$30,796.00 to \$39.56 million. Net assets for business-type activities increased 14.31% to \$3.15 million while net assets for governmental activities decreased by 1.01% to \$36.41 million.

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

| | Governmental Activities | | Business-type Activities | | Total | | Percentage Change 2010-2011 |
|--|--------------------------------|--------------|---------------------------------|-------------|--------------|--------------|------------------------------------|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | |
| Current and other assets | 29.37 | 30.02 | 1.20 | 1.37 | 30.57 | 31.39 | 2.68% |
| Capital Assets | 50.84 | 49.13 | 1.84 | 2.02 | 52.68 | 51.15 | (2.90%) |
| Total Assets | <u>80.21</u> | <u>79.15</u> | <u>3.04</u> | <u>3.39</u> | <u>83.25</u> | <u>82.54</u> | (.85%) |
| Long-term debt outstanding | 26.32 | 26.16 | .07 | .12 | 26.39 | 26.28 | (.42%) |
| Other Liabilities | 17.11 | 16.58 | .21 | .12 | 17.32 | 16.70 | (3.58%) |
| Total Liabilities | <u>43.43</u> | <u>42.74</u> | <u>.28</u> | <u>.24</u> | <u>43.71</u> | <u>42.98</u> | (1.67%) |
| Net Assets | | | | | | | |
| Invested in capital assets, Net of related debt | 23.80 | 25.07 | 1.84 | 2.02 | 25.64 | 27.09 | (5.65%) |
| Restricted | 1.02 | 8.13 | | | 1.02 | 8.13 | 697.06% |
| Unrestricted | 11.96 | 3.21 | .92 | 1.13 | 12.88 | 4.34 | (66.30%) |
| Total Net Assets | <u>36.78</u> | <u>36.41</u> | <u>2.76</u> | <u>3.15</u> | <u>39.54</u> | <u>39.56</u> | 0.00% |

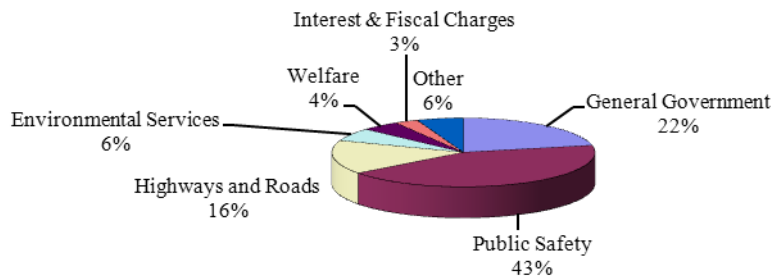
Changes in net assets. The Commission’s total revenues were approximately \$38.63 million. (See Table A-3). Approximately 38% of the Commission’s revenue comes from property taxes, and 47 cents of every dollar raised comes from some type of tax. Another 28 cents comes from fees charged for services, and the majority of the remainder is state and federal aid.

Figure A-3
Morgan County Commission
Revenues for Fiscal Year 2010-2011



The total cost of all programs and services was approximately \$38.60 million. The Commission's expenses cover a range of services with over 65% related to general government and public safety.

Figure A-4
Morgan County Commission
Expenditures for Fiscal Year 2010-2011



The Commission was able to fully fund this year's cost through current year revenue which resulted in an increase in net assets of \$30,796.00.

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 |
|------------------------------------|-------------------------|--------------|--------------------------|-------------|---------------|--------------|-------------------------|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2011-2012 |
| Revenues | | | | | | | |
| Program Revenues | | | | | | | |
| Charges for Services | 7.73 | 8.00 | 2.66 | 2.64 | 10.39 | 10.64 | 2.41% |
| Operating Grants and Contributions | 7.15 | 7.17 | - | - | 7.15 | 7.17 | .28% |
| Capital Grants and Contributions | .72 | 1.67 | - | - | .72 | 1.67 | 231.94% |
| General Revenues | | | | | | | |
| Property Taxes | 17.86 | 17.82 | - | - | 17.86 | 17.82 | (.22%) |
| Other Taxes | .43 | .43 | - | - | .43 | .43 | -- |
| Unrestricted Grants/Contributions | .38 | .41 | - | - | .38 | .41 | 6.97% |
| Interest and Investment Earnings | .14 | .05 | - | - | .14 | .05 | (64.29%) |
| Other | .45 | .33 | - | .11 | .45 | .44 | (2.22%) |
| Total revenues | 34.86 | 35.88 | 2.66 | 2.75 | 37.52 | 38.63 | 2.96% |
| Expenses | | | | | | | |
| General Government | 8.89 | 8.38 | - | - | 8.89 | 8.38 | (5.74%) |
| Public Safety | 15.19 | 16.59 | - | - | 15.19 | 16.59 | 9.22% |
| Highways and Roads | 8.45 | 6.13 | - | - | 8.45 | 6.13 | (27.46%) |
| Sanitation | .20 | .21 | 2.26 | 2.36 | 2.46 | 2.57 | 4.47% |
| Health | .55 | .62 | - | - | .55 | .62 | 12.73% |
| Welfare | 1.69 | 1.82 | - | - | 1.69 | 1.82 | 7.69% |
| Culture and Recreation | 1.14 | 1.20 | - | - | 1.14 | 1.20 | 5.26% |
| Education | .05 | .10 | - | - | .05 | .10 | 100% |
| Interest and Fiscal Charges | 1.22 | 1.11 | - | - | 1.22 | 1.11 | (9.02%) |
| Loss on Disposal of Fixed Assets | | .08 | | | | .08 | -- |
| Total expenses | 37.38 | 36.24 | 2.26 | 2.36 | 39.64 | 38.60 | (2.62%) |
| Increase (decrease) in net assets | <u>(2.52)</u> | <u>(.36)</u> | <u>.40</u> | <u>.39</u> | <u>(2.12)</u> | <u>.03</u> | 101.42% |

Governmental Activities

The increase in net assets is a result of actual revenues exceeding actual expenditures for the year.

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 \$36.17 million, including depreciation expenses of \$2.57 million. The total cost decreased from the prior year by \$1.21 million. This decrease is mainly due to decreases in health insurance costs and in the amounts spent on various road projects. The Commission did not give a cost-of-living raise in 2011 but did implement a 3% merit raise for which most employees were eligible.
- The net cost to taxpayers for these activities was \$19.33 million. Some of the costs were paid by:
 - Those who directly benefited from the programs (\$8.00 million), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$8.84 million)
- The Commission paid for the \$19.33 million “public benefit” portion with property taxes, and with other revenues such as sales taxes, and investment earnings and also with prior year reserves.

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 | |
|---------------------------|------------------------|----------------|-------------------|----------------------|----------------|
| | 2010 | 2011 | 2010-2011 | 2010 | 2011 |
| General Government | \$8.89 | \$8.46 | (4.83%) | \$3.96 | 3.37 |
| Public Safety | 15.19 | 16.59 | 9.22% | 10.43 | 11.53 |
| Highways and Roads | 8.45 | 6.13 | (27.46) | 4.06 | 1.96 |
| Welfare | 1.69 | 1.82 | 7.69% | .76 | (.25) |
| Culture and Recreation | 1.14 | 1.20 | 5.26% | .95 | 1.00 |
| Interest & Fiscal Charges | 1.22 | 1.11 | (9.02%) | 1.22 | 1.11 |
| Other | .80 | .93 | 16.25% | .40 | .69 |
| Total | <u>\$37.38</u> | <u>\$36.24</u> | <u>(3.24%)</u> | <u>\$21.78</u> | <u>\$19.41</u> |

Business-Type Activities

Revenues of the Commission’s business-type activities increased from the prior year by approximately \$90,886 while expenses increased by approximately \$100,900. The increase in expenses is mainly due to increases in fuel costs.

FINANCIAL ANALYSIS OF THE COMMISSION’S FUNDS

As the Commission completed the year, its governmental funds reported a *combined* fund balance of \$14.37 million representing a decrease from the prior year’s combined fund balance of \$15.14 million. Included in the year’s total change in fund balance, is a decrease of \$1.11 million in the Commission’s General Fund. Due to the implementation of GASB 54, several funds were combined into the County’s General Fund for reporting purposes, including the Public Buildings, Roads, and Bridges Fund. The net decrease in fund balance also includes a \$387,500 increase in the fund balance of the Gasoline Tax Fund and a decrease in other governmental funds of \$46,300.

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 revenues of the major funds were approximately \$692,600 less than anticipated revenues and actual expenditures were approximately \$1,675,600 less than budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the Commission had invested \$49.13 million in a broad range of capital assets for its governmental activities. (See Table A-4). This amount represents a net increase (including additions and deductions) of \$.17 million or approximately .35% over last year. The increase represents additions of fixed assets totaling \$2.92 million and depreciation expense of \$2.78 million.

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 |
|-----------------------------------|-------------------------|---------------------|--------------------------|----------------------|---------------------|-----------------------|-------------------------|
| | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010-2011</u> |
| Land | 3.04 | 3.05 | | | \$3.04 | \$3.05 | .33% |
| Infrastructure | 12.55 | 12.88 | | | 12.55 | 12.88 | 2.63% |
| Infrastructure in Progress | .21 | .33 | | | .21 | .33 | 57.14% |
| Buildings and Improvements | 26.12 | 25.49 | .01 | 1.54 | 26.13 | 27.03 | 3.44% |
| Improvements Other Than Buildings | 1.55 | 1.45 | | | 1.55 | 1.45 | (6.45%) |
| Equipment and Furniture | 4.32 | 4.77 | .39 | .48 | 4.71 | 5.25 | 11.47% |
| Construction in Progress | .10 | .66 | 1.44 | | 1.54 | .66 | (57.14%) |
| Equipment Under Capital Leases | <u>1.07</u> | <u>.50</u> | | | <u>1.07</u> | <u>.50</u> | (53.27%) |
| Total | <u>\$48.96</u> | <u>49.13</u> | <u>\$1.84</u> | <u>\$2.02</u> | <u>50.80</u> | <u>\$51.15</u> | .69% |

The environmental services building was completed in the beginning of FY 2011 as well as a new courthouse parking lot and the new Neel Senior Center. The Commission plans to begin several capital projects beginning in fiscal year 2012 including a new Lacey Springs Senior Center through a grant from the Alabama Department of Economic and Community Affairs and new jail annex. A 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 \$24.08 million in bonds outstanding—a decrease of \$.86 million from last year—as shown in Table A-5. More detailed information about the Commission’s long-term liabilities is presented in Note 11 to the financial statements.

| Table A-5 Morgan County Commission’s Outstanding Long-Term Debt <i>(in millions of dollars)</i> | | | | | | | |
|---|------------------------------------|-----------------------|-------------------------------------|---------------------|-----------------------|-----------------------|--|
| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010-2011 |
| General Obligation Warrants | \$24.94 | \$24.08 | | | 24.94 | \$24.08 | (3.45%) |
| Capital Leases | .68 | .38 | | | .68 | .38 | (44.12%) |
| Compensated Absences | .91 | 1.02 | .02 | .02 | .93 | 1.04 | 11.83% |
| Net OPEB Obligation | <u>1.20</u> | <u>1.99</u> | <u>.06</u> | <u>.10</u> | <u>1.26</u> | <u>2.09</u> | 65.87% |
| Total | <u>\$27.73</u> | <u>\$27.47</u> | <u>\$.08</u> | <u>\$.12</u> | <u>\$27.81</u> | <u>\$27.59</u> | (.79%) |

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.

This Page Intentionally Blank

Basic Financial Statements

Statement of Net Assets
September 30, 2011

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 12,938,511.71 | \$ 1,096,361.50 | \$ 14,034,873.21 |
| Receivables (Note 4) | 2,102,831.41 | 253,521.92 | 2,356,353.33 |
| Ad Valorem Taxes Receivable | 12,970,162.38 | | 12,970,162.38 |
| Prepaid Items | 275,765.84 | 15,219.60 | 290,985.44 |
| Deferred Charges | 30,019.14 | | 30,019.14 |
| Total Current Assets | 28,317,290.48 | 1,365,103.02 | 29,682,393.50 |
| Noncurrent Assets | | | |
| Restricted Cash | 1,328,819.18 | | 1,328,819.18 |
| Deferred Charges | 369,886.90 | | 369,886.90 |
| Capital Assets (Note 5): | | | |
| Nondepreciable | 4,043,338.59 | | 4,043,338.59 |
| Depreciable, Net | 45,087,073.23 | 2,022,961.58 | 47,110,034.81 |
| Total Noncurrent Assets | 50,829,117.90 | 2,022,961.58 | 52,852,079.48 |
| Total Assets | 79,146,408.38 | 3,388,064.60 | 82,534,472.98 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables (Note 9) | 903,020.82 | 95,741.74 | 998,762.56 |
| Deferred Revenue | 13,952,748.85 | | 13,952,748.85 |
| Accrued Wages Payable | 270,402.72 | 10,864.63 | 281,267.35 |
| Accrued Interest Payable | 21,686.75 | | 21,686.75 |
| Long-Term Liabilities: | | | |
| Amount Due Within One Year: | | | |
| Capital Leases Payable | 115,897.29 | | 115,897.29 |
| Warrants Payable | 900,000.00 | | 900,000.00 |
| Add: Unamortized Premium | 3,827.99 | | 3,827.99 |
| Less: Deferred Loss on Refunding | (2,570.00) | | (2,570.00) |
| Estimated Claims Costs Payable | 121,364.79 | 5,271.91 | 126,636.70 |
| Estimated Liability for Compensated Absences | 293,189.34 | 5,122.68 | 298,312.02 |
| Total Current Liabilities | \$ 16,579,568.55 | \$ 117,000.96 | \$ 16,696,569.51 |

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

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|-------------------------|
| <u>Noncurrent Liabilities</u> | | | |
| Capital Leases Payable | \$ 267,032.30 | \$ | \$ 267,032.30 |
| Warrants Payable | 23,150,000.00 | | 23,150,000.00 |
| Add: Unamortized Premium | 46,360.74 | | 46,360.74 |
| Less: Deferred Loss on Refunding | (19,275.00) | | (19,275.00) |
| Estimated Liability for Compensated Absences | 724,096.26 | 15,099.41 | 739,195.67 |
| Net OPEB Obligation | 1,989,905.33 | 101,649.57 | 2,091,554.90 |
| Total Noncurrent Liabilities | <u>26,158,119.63</u> | <u>116,748.98</u> | <u>26,274,868.61</u> |
| Total Liabilities | <u>42,737,688.18</u> | <u>233,749.94</u> | <u>42,971,438.12</u> |
| <u>Net Assets</u> | | | |
| Investments in Capital Assets, Net of Related Debt | 25,069,044.59 | 2,022,961.58 | 27,092,006.17 |
| Restricted for: | | | |
| Debt Service | 1,200,093.12 | | 1,200,093.12 |
| Law Enforcement | 91,818.66 | | 91,818.66 |
| Highways and Roads | 2,039,030.45 | | 2,039,030.45 |
| Capital Projects | 2,881,410.81 | | 2,881,410.81 |
| Other Purposes | 1,920,814.52 | | 1,920,814.52 |
| Unrestricted | 3,206,508.05 | 1,131,353.08 | 4,337,861.13 |
| Total Net Assets | <u>\$ 36,408,720.20</u> | <u>\$ 3,154,314.66</u> | <u>\$ 39,563,034.86</u> |

Statement of Activities
For the Year Ended September 30, 2011

| Functions/Programs | Expenses | Program Revenues | |
|----------------------------------|------------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| Primary Governments | | | |
| Governmental Activities: | | | |
| General Government | \$ 8,461,285.32 | \$ 4,502,530.84 | \$ 240,347.05 |
| Public Safety | 16,586,849.26 | 2,768,385.31 | 2,284,071.95 |
| Highways and Roads | 6,134,440.96 | 172,301.53 | 3,937,107.95 |
| Sanitation | 212,855.92 | 6,499.28 | 168,812.04 |
| Health | 624,210.24 | 68,070.00 | 7,542.30 |
| Welfare | 1,819,100.91 | 303,471.98 | 526,758.28 |
| Culture and Recreation | 1,199,395.12 | 180,436.97 | 5,521.44 |
| Education | 97,872.00 | | |
| Interest and Fiscal Charges | 1,108,580.31 | | |
| Total Governmental Activities | 36,244,590.04 | 8,001,695.91 | 7,170,161.01 |
| Business-Type Activities: | | | |
| Environmental Services | 2,358,751.47 | 2,638,962.76 | |
| Total Business-Type Activities | 2,358,751.47 | 2,638,962.76 | |
| Total Primary Government | \$ 38,603,341.51 | \$ 10,640,658.67 | \$ 7,170,161.01 |

General Revenues:

| |
|---|
| Taxes: |
| Property Taxes for General Purposes |
| Property Taxes for Specific Purposes |
| TVA Payments In-Lieu of Taxes |
| Miscellaneous Taxes |
| Grants and Contributions not Restricted for Specific Programs |
| Investment Earnings |
| Miscellaneous |
| Gain on Disposal of Assets |
| 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.

| Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Assets | | |
|-------------------------------------|---|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| \$ 350,694.84 | \$ (3,367,712.59) | \$ | \$ (3,367,712.59) |
| | (11,534,392.00) | | (11,534,392.00) |
| 67,704.60 | (1,957,326.88) | | (1,957,326.88) |
| | (37,544.60) | | (37,544.60) |
| | (548,597.94) | | (548,597.94) |
| 1,239,309.47 | 250,438.82 | | 250,438.82 |
| 10,000.00 | (1,003,436.71) | | (1,003,436.71) |
| | (97,872.00) | | (97,872.00) |
| | (1,108,580.31) | | (1,108,580.31) |
| 1,667,708.91 | (19,405,024.21) | | (19,405,024.21) |
| | | 280,211.29 | 280,211.29 |
| | | 280,211.29 | 280,211.29 |
| \$ 1,667,708.91 | (19,405,024.21) | 280,211.29 | (19,124,812.92) |
| | 9,069,928.27 | | 9,069,928.27 |
| | 5,630,714.97 | | 5,630,714.97 |
| | 3,115,048.04 | | 3,115,048.04 |
| | 430,345.24 | | 430,345.24 |
| | 410,882.17 | | 410,882.17 |
| | 54,385.97 | 2,674.76 | 57,060.73 |
| | 329,563.28 | 106,060.00 | 435,623.28 |
| | | 6,006.08 | 6,006.08 |
| | 19,040,867.94 | 114,740.84 | 19,155,608.78 |
| | (364,156.27) | 394,952.13 | 30,795.86 |
| | 36,772,876.47 | 2,759,362.53 | 39,532,239.00 |
| \$ | \$ 36,408,720.20 | \$ 3,154,314.66 | \$ 39,563,034.86 |

Balance Sheet
Governmental Funds
September 30, 2011

| | General Fund | Gasoline Tax Fund |
|---|-------------------------|------------------------------|
| <u>Assets</u> | | |
| Cash and Cash Equivalents | \$ 4,411,414.19 | \$ 1,263,368.48 |
| Receivables (Note 4) | 1,244,232.30 | 241,098.10 |
| Property Taxes Receivable | 11,811,359.38 | |
| Due From Other Funds | 349,958.36 | 129,138.79 |
| Advances to Other Funds | 60,000.00 | |
| Prepaid Items | 204,713.70 | 41,169.72 |
| Total Assets | <u>18,081,677.93</u> | <u>1,674,775.09</u> |
| <u>Liabilities and Fund Balances</u> | | |
| <u>Liabilities</u> | | |
| Payables (Note 9) | 354,384.86 | 58,479.66 |
| Due To Other Funds | 625,024.89 | |
| Deferred Revenue | 12,541,810.67 | |
| Accrued Wages Payable | 190,684.96 | 42,750.30 |
| Estimated Claims Costs Payable | 102,710.87 | 10,680.29 |
| Advances From Other Funds | | |
| Total Liabilities | <u>13,814,616.25</u> | <u>111,910.25</u> |
| <u>Fund Balances</u> | | |
| Nonspendable: | | |
| Prepaid Items | 204,713.70 | 41,169.72 |
| Restricted For: | | |
| Debt Service | | |
| Law Enforcement | | |
| Highways and Roads | | |
| Capital Projects | | |
| Other Purposes | | |
| Assigned To: | | |
| Industrial Development | 543,937.76 | |
| Highways and Roads | | 1,521,695.12 |
| Other Purposes | | |
| Unassigned | 3,518,410.22 | |
| Total Fund Balances | <u>4,267,061.68</u> | <u>1,562,864.84</u> |
| Total Liabilities and Fund Balances | <u>\$ 18,081,677.93</u> | <u>\$ 1,674,775.09</u> |

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

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ 8,592,548.22 | \$ 14,267,330.89 |
| 617,501.01 | 2,102,831.41 |
| 1,158,803.00 | 12,970,162.38 |
| 938,865.57 | 1,417,962.72 |
| | 60,000.00 |
| 29,882.42 | 275,765.84 |
| <u>11,337,600.22</u> | <u>31,094,053.24</u> |

| | |
|---------------------|----------------------|
| 490,156.30 | 903,020.82 |
| 792,937.83 | 1,417,962.72 |
| 1,410,938.18 | 13,952,748.85 |
| 36,967.46 | 270,402.72 |
| 7,973.63 | 121,364.79 |
| 60,000.00 | 60,000.00 |
| <u>2,798,973.40</u> | <u>16,725,499.90</u> |

| | |
|-------------------------|-------------------------|
| 29,882.42 | 275,765.84 |
| 1,221,779.87 | 1,221,779.87 |
| 91,818.66 | 91,818.66 |
| 2,039,030.45 | 2,039,030.45 |
| 2,881,410.86 | 2,881,410.86 |
| 1,913,798.52 | 1,913,798.52 |
| | 543,937.76 |
| | 1,521,695.12 |
| 360,906.04 | 360,906.04 |
| | 3,518,410.22 |
| <u>8,538,626.82</u> | <u>14,368,553.34</u> |
| <u>\$ 11,337,600.22</u> | <u>\$ 31,094,053.24</u> |

This Page Intentionally Blank

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2011

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 14,368,553.34

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: 49,130,411.82

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 | \$ 30,019.14 | \$ 369,886.90 | 399,906.04 |

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 | 900,000.00 | 23,150,000.00 | |
| Unamortized Premium | 3,827.99 | 46,360.74 | |
| Deferred Loss on Refunding | (2,570.00) | (19,275.00) | |
| Capital Leases Payable | 115,897.29 | 267,032.30 | |
| Compensated Absences | 293,189.34 | 724,096.26 | |
| Net OPEB Obligation | | 1,989,905.33 | |
| Total Long-Term Liabilities | \$ 1,310,344.62 | \$ 26,158,119.63 | (27,468,464.25) |

Accrued interest payable is not available soon enough to pay for the current period's expenditures, and therefore is not shown in the funds. (21,686.75)

Total Net Assets - Governmental Activities (Exhibit 1) \$ 36,408,720.20

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, 2011

| | General Fund | Gasoline Tax Fund |
|--|-------------------------|------------------------------|
| <u>Revenues</u> | | |
| Taxes | \$ 16,975,710.96 | \$ |
| Licenses and Permits | 197,711.99 | |
| Intergovernmental | 1,626,751.82 | 2,036,465.43 |
| Charges for Services | 4,792,059.07 | |
| Miscellaneous | 363,778.42 | 19,678.94 |
| Total Revenues | <u>23,956,012.26</u> | <u>2,056,144.37</u> |
| <u>Expenditures</u> | | |
| Current: | | |
| General Government | 6,469,385.36 | |
| Public Safety | 10,988,347.84 | |
| Highways and Roads | 107,148.92 | 3,990,779.01 |
| Sanitation | 172,702.08 | |
| Health | 541,213.17 | |
| Welfare | 474,964.85 | |
| Culture and Recreation | 889,876.80 | |
| Education | 50,000.00 | |
| Capital Outlay | 81,041.56 | |
| Debt Service: | | |
| Principal | 25,775.77 | 266,320.04 |
| Interest and Fiscal Charges | 16,516.86 | 10,586.42 |
| Total Expenditures | <u>19,816,973.21</u> | <u>4,267,685.47</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>4,139,039.05</u> | <u>(2,211,541.10)</u> |
| <u>Other Financing Sources (Uses)</u> | | |
| Transfers In | 63,388.33 | 2,594,833.00 |
| Sale of Capital Assets | 12,046.32 | 4,175.00 |
| Transfers Out | (5,324,099.76) | |
| Total Other Financing Sources(Uses) | <u>(5,248,665.11)</u> | <u>2,599,008.00</u> |
| Net Change in Fund Balances | (1,109,626.06) | 387,466.90 |
| Fund Balances - Beginning of Year, as Restated (Note 16) | <u>5,376,687.74</u> | <u>1,175,397.94</u> |
| Fund Balances - End of Year | <u>\$ 4,267,061.68</u> | <u>\$ 1,562,864.84</u> |

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

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ 1,270,325.56 | \$ 18,246,036.52 |
| 2,869.00 | 200,580.99 |
| 5,729,129.40 | 9,392,346.65 |
| 2,825,777.30 | 7,617,836.37 |
| 40,175.88 | 423,633.24 |
| <u>9,868,277.14</u> | <u>35,880,433.77</u> |
| 1,225,190.25 | 7,694,575.61 |
| 4,328,980.30 | 15,317,328.14 |
| 989,355.86 | 5,087,283.79 |
| | 172,702.08 |
| | 541,213.17 |
| 1,121,083.40 | 1,596,048.25 |
| 198,420.09 | 1,088,296.89 |
| 47,872.00 | 97,872.00 |
| 2,820,595.06 | 2,901,636.62 |
| 867,578.06 | 1,159,673.87 |
| 1,056,377.88 | 1,083,481.16 |
| <u>12,655,452.90</u> | <u>36,740,111.58</u> |
| <u>(2,787,175.76)</u> | <u>(859,677.81)</u> |
| 2,729,267.76 | 5,387,489.09 |
| 74,956.07 | 91,177.39 |
| <u>(63,389.33)</u> | <u>(5,387,489.09)</u> |
| <u>2,740,834.50</u> | <u>91,177.39</u> |
| (46,341.26) | (768,500.42) |
| <u>8,584,968.08</u> | <u>15,137,053.76</u> |
| <u>\$ 8,538,626.82</u> | <u>\$ 14,368,553.34</u> |

This Page Intentionally Blank

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, 2011

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (768,500.42)

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 (\$2,901,636.62) exceeds depreciation expense (\$2,567,201.76) in the current period. 334,434.86

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. (167,643.79)

Repayment of bond principal, including extinguishment of debt, 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. 1,159,673.87

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 | \$ | 3,827.99 | |
| Net Change in Deferred Charges | | (30,019.14) | |
| Net Change in Deferred Amounts on Refunding | | (2,570.00) | |
| Net Increase in Compensated Absences | | (108,415.54) | |
| Net Increase in OPEB Obligation | | (788,606.10) | |
| Total Additional Expenditures | | (925,782.79) | (925,782.79) |

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. 3,662.00

Change in Net Assets of Governmental Activities (Exhibit 2) \$ (364,156.27)

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

Statement of Net Assets
Proprietary Fund
September 30, 2011

| | <u>Enterprise Fund</u> <u>Environmental</u> <u>Services Fund</u> |
|---|--|
| <u>Assets</u> | |
| <u>Current Assets</u> | |
| Cash and Cash Equivalents | \$ 1,096,361.50 |
| Receivables (Note 4) | 253,521.92 |
| Prepaid Expenses | 15,219.60 |
| Total Current Assets | <u>1,365,103.02</u> |
| <u>Noncurrent Assets</u> | |
| Capital Assets (Note 5): | |
| Depreciable, Net | 2,022,961.58 |
| Total Noncurrent Assets | <u>2,022,961.58</u> |
| Total Assets | <u>3,388,064.60</u> |
| <u>Liabilities</u> | |
| <u>Current Liabilities</u> | |
| Payables (Note 9) | 95,741.74 |
| Accrued Wages Payable | 10,864.63 |
| Estimated Claims Costs Liability | 5,271.91 |
| Estimated Liability for Compensated Absences | 5,122.68 |
| Total Current Liabilities | <u>117,000.96</u> |
| <u>Noncurrent Liabilities</u> | |
| Estimated Liability for Compensated Absences | 15,099.41 |
| Net OPEB Obligations | 101,649.57 |
| Total Noncurrent Liabilities | <u>116,748.98</u> |
| Total Liabilities | <u>233,749.94</u> |
| <u>Net Assets</u> | |
| Invested in Capital Assets, Net of Related Debt | 2,022,961.58 |
| Unrestricted | <u>1,131,353.08</u> |
| Total Net Assets | <u>\$ 3,154,314.66</u> |

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, 2011

| | <u>Enterprise Fund</u> <u>Environmental</u> <u>Services Fund</u> |
|--|--|
| <u>Operating Revenues</u> | |
| Charges for Services | \$ 2,638,962.76 |
| Total Operating Revenues | <u>2,638,962.76</u> |
| <u>Operating Expenses</u> | |
| Salaries and Benefits | 1,031,329.87 |
| Contractual and Professional Services | 181,011.43 |
| Materials and Supplies | 281,559.04 |
| Repairs and Maintenance | 193,454.43 |
| Rentals | 4,875.03 |
| Utilities | 15,547.78 |
| Insurance | 17,723.51 |
| Depreciation | 145,705.98 |
| Landfill Expenses | 446,333.56 |
| Miscellaneous | 41,210.84 |
| Total Operating Expenses | <u>2,358,751.47</u> |
| Operating Income (Loss) | <u>280,211.29</u> |
| <u>Nonoperating Revenues (Expenses)</u> | |
| Interest | 2,674.76 |
| Gain on Disposal of Assets | 106,060.00 |
| Insurance Recovery | 6,006.08 |
| Total Nonoperating Revenues (Expenses) | <u>114,740.84</u> |
| Change in Net Assets | 394,952.13 |
| Net Assets - Beginning of Year | <u>2,759,362.53</u> |
| Net Assets - End of Year | <u>\$ 3,154,314.66</u> |

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, 2011

| | <u>Enterprise Fund</u> <u>Environmental</u> <u>Services Fund</u> |
|--|--|
| <u>Cash Flows from Operating Activities</u> | |
| Receipts from Customers | \$ 2,637,446.85 |
| Payments to Suppliers | (1,264,889.23) |
| Payments to Employees | (1,051,374.72) |
| Net Cash Provided by Operating Activities | <u>321,182.90</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Purchases of Capital Assets | (326,861.24) |
| Disposal of Fixed Assets | 106,060.00 |
| Insurance Recovery | 6,006.08 |
| Net Cash (Used) by Capital and Related Financing Activities | <u>(214,795.16)</u> |
| <u>Cash Flows from Investing Activities</u> | |
| Interest and Dividends | 2,674.76 |
| Net Cash Provided by Investing Activities | <u>2,674.76</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 109,062.50 |
| Cash and Cash Equivalents - Beginning of Year | <u>987,299.00</u> |
| Cash and Cash Equivalents - End of Year | <u>1,096,361.50</u> |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u> | |
| Operating Income (Loss) | 280,211.29 |
| <u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u> | |
| Depreciation Expense | 145,705.98 |
| Change in Assets and Liabilities: | |
| Receivables | (53,129.58) |
| Payables | (83,173.61) |
| Estimated Claims Costs Payable | (7,574.66) |
| Accrued Wages Payable | (506.98) |
| Prepaid Expenses | (131.09) |
| Compensated Absences | (561.25) |
| Net OPEB Obligation | 40,342.80 |
| Net Cash Provided by Operating Activities | <u>\$ 321,182.90</u> |

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

Statement of Fiduciary Net Assets
September 30, 2011

| | Private-Purpose Trust Funds | Agency Funds |
|-----------------------------------|--|-------------------------|
| <u>Assets</u> | | |
| Cash | \$ 488,959.43 | \$ 2,221,140.95 |
| Receivables (Note 4) | 15,472.74 | 3,035,274.13 |
| Total Assets | <u>504,432.17</u> | <u>5,256,415.08</u> |
| <u>Liabilities</u> | | |
| Due to Other Governments | | 2,703,470.49 |
| Withholdings and Benefits Payable | | 376,708.83 |
| Due to External Parties | 17,668.47 | 2,176,235.76 |
| Total Liabilities | <u>17,668.47</u> | <u>\$ 5,256,415.08</u> |
| <u>Net Assets</u> | | |
| Held in Trust for Other Purposes | <u>486,763.70</u> | |
| Total Net Assets | <u>\$ 486,763.70</u> | |

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

***Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2011***

| | Private-Purpose Trust Funds |
|--------------------------------|--|
| <u>Additions</u> | |
| Local Taxes and Fees | \$ 262,933.82 |
| Interest Earned | 68.12 |
| Miscellaneous | 111,923.53 |
| Total Additions | <u>374,925.47</u> |
| <u>Deductions</u> | |
| Administrative Expenses | <u>441,637.13</u> |
| Total Deductions | <u>441,637.13</u> |
| Change in Net Assets | (66,711.66) |
| Net Assets - Beginning of Year | <u>553,475.36</u> |
| Net Assets - End of Year | <u><u>\$ 486,763.70</u></u> |

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

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. Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net 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 nonexchange 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.

Notes to the Financial Statements

For the Year Ended September 30, 2011

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 nonmajor funds in the other governmental funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The general fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, accounted for in the general fund is employee health insurance to self-insure the Commission against liability claims. The fund also accounts for the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of the seven-cent state gasoline tax revenue for construction, improvement, maintenance, and supervision of highways, bridges, and streets.

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

Notes to the Financial Statements

For the Year Ended September 30, 2011

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2011

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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 and Investments

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

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.

Notes to the Financial Statements
For the Year Ended September 30, 2011

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

Receivables in enterprise funds consist primarily of amounts due from customers who are charged fees for services provided by the Commission.

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 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.

Notes to the Financial Statements
For the Year Ended September 30, 2011

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 |

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 and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Warrants payable are reported at gross with separate line items for the applicable warrant premium or discount. 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 warrant premiums and discounts, as well as warrant 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.

Notes to the Financial Statements
For the Year Ended September 30, 2011

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 an employee earns 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 an employee earns 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.

Notes to the Financial Statements

For the Year Ended September 30, 2011

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 balance is reported in the fund financial statements. Fund balances of governmental funds are reported in classifications to indicate the level of constraints on the use of the fund balances. Those classifications and associated constraints are as follows:

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

Notes to the Financial Statements

For the Year Ended September 30, 2011

- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorizes the Commission Chairman or County Administrator to make a determination of the assigned amount of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 3 – 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.

Note 4 – Receivables

On September 30, 2011, receivables for the Commission's individual major funds, other governmental funds and fiduciary funds in the aggregate are as follows:

| Governmental Funds | General Fund | Gasoline Tax Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------|-----------------------|---------------------|--------------------------|--------------------------|
| <u>Receivables:</u> | | | | |
| Accounts Receivable | \$ 595,173.16 | \$ | \$ 43,881.44 | \$ 639,054.60 |
| Intergovernmental | 435,269.38 | 241,098.10 | 573,512.98 | 1,249,880.46 |
| Other Receivables | 213,789.76 | | 106.59 | 213,896.35 |
| Total Receivables | <u>\$1,244,232.30</u> | <u>\$241,098.10</u> | <u>\$617,501.01</u> | <u>\$2,102,831.41</u> |

| Proprietary Funds | Environmental Services Fund |
|---------------------|-----------------------------|
| <u>Receivables:</u> | |
| Accounts Receivable | \$253,521.92 |
| Total Receivables | <u>\$253,521.92</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2011

| Fiduciary Funds | Private-Purpose Trust Funds | Agency Funds |
|---------------------|--------------------------------|-----------------|
| <u>Receivables:</u> | | |
| Intergovernmental | \$15,472.74 | \$3,035,145.95 |
| Other | | 128.18 |
| Total Receivables | \$15,472.74 | \$3,035,274.13 |

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, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|-----------------|--------------|
| Real Property Ad Valorem Taxes | \$12,970,162.38 | \$246,338.89 |
| Motor Vehicle Ad Valorem Taxes | | 730,451.29 |
| Grant Drawdowns Prior to Meeting All Eligibility Requirements | | 5,796.29 |
| Total Deferred/Unearned Revenue for Governmental Funds | \$12,970,162.38 | \$982,586.47 |

Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

| | Balance October 1, 2010 | Additions/ Reclassifications | Deletions/ Reclassifications | Balance September 30, 2011 |
|---|----------------------------|---------------------------------|---------------------------------|-------------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 3,039,199.61 | \$ 10,100.00 | \$ | \$ 3,049,299.61 |
| Infrastructure in Progress | 211,800.00 | 482,576.55 | (362,790.57) | 331,585.98 |
| Construction in Progress | 99,357.95 | 740,490.85 | (177,395.80) | 662,453.00 |
| Total Capital Assets, Not Being Depreciated | <u>3,350,357.56</u> | <u>1,233,167.40</u> | <u>(540,186.37)</u> | <u>4,043,338.59</u> |
| Capital Assets Being Depreciated: | | | | |
| Infrastructure | 16,155,844.17 | 686,218.79 | | 16,842,062.96 |
| Buildings | 35,210,946.69 | 248,944.16 | (10,350.00) | 35,449,540.85 |
| Improvements Other Than Buildings | 2,615,467.65 | 29,141.00 | (45,132.25) | 2,599,476.40 |
| Equipment and Furniture | 14,145,119.23 | 1,955,483.64 | (872,504.29) | 15,228,098.58 |
| Assets Under Capital Lease | 1,375,962.29 | | (711,132.00) | 664,830.29 |
| Total Capital Assets Being Depreciated | <u>69,503,340.03</u> | <u>2,919,787.59</u> | <u>(1,639,118.54)</u> | <u>70,784,009.08</u> |
| Less Accumulated Depreciation for: | | | | |
| Infrastructure | (3,606,758.56) | (352,189.29) | | (3,958,947.85) |
| Buildings | (9,085,119.52) | (879,854.06) | 5,433.76 | (9,959,539.82) |
| Improvements Other Than Buildings | (1,062,312.86) | (109,229.67) | 20,309.50 | (1,151,233.03) |
| Equipment and Furniture | (9,826,030.94) | (1,373,260.44) | 734,599.49 | (10,464,691.89) |
| Assets Under Capital Lease | (309,854.96) | (68,553.95) | 215,885.65 | (162,523.26) |
| Total Accumulated Depreciation | <u>(23,890,076.84)</u> | <u>(2,783,087.41)</u> | <u>976,228.40</u> | <u>(25,696,935.85)</u> |
| Total Capital Assets Being Depreciated, Net | <u>45,613,263.19</u> | <u>136,700.18</u> | <u>(662,890.14)</u> | <u>45,087,073.23</u> |
| Total Governmental Activities Capital Assets, Net | <u>\$ 48,963,620.75</u> | <u>\$ 1,369,867.58</u> | <u>\$(1,203,076.51)</u> | <u>\$ 49,130,411.82</u> |
| The Commission reclassified \$362,790.57 from Infrastructure in Progress to Infrastructure, \$711,132.00 from Assets Under Capital Lease to Equipment and Furniture, and \$177,395.80 from Construction in Progress to Buildings. | | | | |

Notes to the Financial Statements
For the Year Ended September 30, 2011

| | Balance October 1, 2010 | Additions | Deletions | Balance September 30, 2011 |
|--|----------------------------|------------------------|-------------------------|-------------------------------|
| Business-Type Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ 1,436,917.47 | \$ 115,211.24 | \$(1,552,128.71) | \$ |
| Total Capital Assets, Not Being Depreciated | <u>1,436,917.47</u> | <u>115,211.24</u> | <u>(1,552,128.71)</u> | |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 32,808.00 | 1,552,128.71 | | 1,584,936.71 |
| Improvements Other Than Buildings | 10,214.30 | | | 10,214.30 |
| Equipment and Furniture | 2,279,158.72 | 211,650.00 | (315,697.66) | 2,175,111.06 |
| Total Capital Assets Being Depreciated | <u>2,322,181.02</u> | <u>1,763,778.71</u> | <u>(315,697.66)</u> | <u>3,770,262.07</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | (24,430.33) | (20,948.25) | | (45,378.58) |
| Improvements Other Than Buildings | (7,448.00) | (510.72) | | (7,958.72) |
| Equipment and Furniture | (1,885,413.84) | (124,247.01) | 315,697.66 | (1,693,963.19) |
| Total Accumulated Depreciation | <u>(1,917,292.17)</u> | <u>(145,705.98)</u> | <u>315,697.66</u> | <u>(1,747,300.49)</u> |
| Total Capital Assets Being Depreciated, Net | 404,888.85 | 1,618,072.73 | | 2,022,961.58 |
| Total Business-Type Activities Capital Assets, Net | <u>\$ 1,841,806.32</u> | <u>\$ 1,733,283.97</u> | <u>\$(1,552,128.71)</u> | <u>\$ 2,022,961.58</u> |

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

| | Current Year Depreciation Expense |
|---------------------------------|---|
| Governmental Activities: | |
| General Government | \$ 477,285.52 |
| Public Safety | 833,874.90 |
| Highways and Roads | 876,222.30 |
| Sanitation | 33,097.45 |
| Health | 31,212.16 |
| Welfare | 219,086.22 |
| Culture and Recreations | 96,423.21 |
| Total Governmental Activities | <u>\$2,567,201.76</u> |

| | Current Year Depreciation Expense |
|----------------------------------|---|
| Business-Type Activities: | |
| Sanitation | \$145,705.98 |
| Total Business-Type Activities | <u>\$145,705.98</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2011

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.

Notes to the Financial Statements
For the Year Ended September 30, 2011

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 year ended September 30, 2011 was 8.19 percent based on the actuarial valuation performed as of September 30, 2008.

C. Annual Pension Cost

For the year ended September 30, 2011, the Commission's annual pension cost of \$1,080,874.64 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, 2010, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 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, 2010 was 30 years.

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

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------|---------------------------|-------------------------------|------------------------|
| 09/30/2011 | \$1,080,875 | 100% | \$0 |
| 09/30/2010 | \$1,057,048 | 100% | \$0 |
| 09/30/2009 | \$1,012,113 | 100% | \$0 |

Notes to the Financial Statements
For the Year Ended September 30, 2011

D. Funded Status and Funding Progress

As of September 30, 2010, the most recent actuarial valuation date, the plan was 73 percent funded. The actuarial accrued liability for benefits was \$36,280,210 and the actuarial value of assets was \$26,472,220, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,807,990. The covered payroll (annual payroll of active employees covered by the plan) was \$13,998,848, and the ratio of the UAAL to the covered payroll was 70.10 percent.

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

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The 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.

B. Funding Policy

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2011. 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 73.2% of the cost of current-year premiums for eligible retiree's medical insurance premiums for family coverage and 52% for single coverage. The Commission determines its contribution amounts annually during the budget hearings. For fiscal year 2011, the Commission contributed \$97,943.10 to cover approximately twenty-six participants. Plan members receiving benefits contribute \$300.00 for family coverage cost and \$200.00 for single coverage costs. For fiscal year 2011, total retired member contributions were \$71,252.04.

Notes to the Financial Statements
For the Year Ended September 30, 2011

C. Annual OPEB Cost

For fiscal year 2011, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, dental, and prescription drug insurance was \$910,525.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|---------------------|--|---------------------------|
| 09/30/2011 | \$899,978 | 10.89% | \$2,091,555 |
| 09/30/2010 | \$899,978 | 26.86% | \$1,289,520 |
| 09/30/2009 | \$631,303 | 0% | \$ 631,303 |

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2011, was as follows:

| | |
|---|--------------|
| Actuarial Accrued Liability (AAL) | \$ 7,351,439 |
| Actuarial Value of Plan Assets | \$0.00 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 7,351,439 |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | 0.0% |
| Covered Payroll (Active Plan Members) | \$13,653,166 |
| UAAL as a Percentage of Covered Payroll | 55.16% |

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.

Notes to the Financial Statements
For the Year Ended September 30, 2011

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 six 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 payrolls on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over thirty years.

Note 8 – Construction and Other Significant Commitments

| Project Name | Amount Remaining |
|--------------------------------------|---------------------|
| Neel Senior Center | \$357,243.29 |
| Courthouse Parking Lot | 305,209.71 |
| Bridge Replacement on County Road 55 | 198,000.00 |
| Resurfacing Union Hill Road | 133,585.98 |
| Total | <u>\$994,038.98</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 9 – Payables

On September 30, 2011, payables for the Commission’s individual major funds and other governmental funds in the aggregate are as follows:

| | Accounts Payable | Due to Other Governments | Withholdings and Benefits | Total |
|---|---------------------|-----------------------------|------------------------------|---------------------|
| <u>Governmental Activities:</u> | | | | |
| General Fund | \$331,508.59 | \$22,876.27 | \$ | \$354,384.86 |
| Gasoline Tax Fund | 58,479.66 | | | 58,479.66 |
| Other Governmental Funds | 490,156.30 | | | 490,156.30 |
| Total Governmental Funds | <u>880,144.55</u> | <u>22,876.27</u> | | <u>903,020.82</u> |
| <u>Business-Type Activities:</u> | | | | |
| Environmental Services Fund | 95,741.74 | | | 95,741.74 |
| Total Business-Type Activities | <u>\$ 95,741.74</u> | <u>\$</u> | <u>\$</u> | <u>\$ 95,741.74</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 10 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$664,830.29 for governmental activities at September 30, 2011. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year’s lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

| Fiscal Year Ending | Governmental Activities |
|---|----------------------------|
| September 30, 2012 | \$134,049.73 |
| 2013 | 73,040.16 |
| 2014 | 47,706.40 |
| 2015 | 35,039.52 |
| 2016 | 35,039.52 |
| 2017-2020 | 134,318.16 |
| Total Minimum Lease Payments | 459,193.49 |
| Less: Amount Representing Interest | (76,263.90) |
| Present Value of Net Minimum Lease Payments | <u>\$382,929.59</u> |

Note 11 – Long-Term Debt

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.

In June 2010, General Obligation Warrants were issued with variable interest rates of 2.0 percent to 3.25 percent to refund on a current basis the Outstanding Series 2000 General Obligation Warrants and the 2000 Taxable General Obligation Warrants and to provide funds for various capital projects.

Notes to the Financial Statements
For the Year Ended September 30, 2011

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2011:

| | Debt Outstanding 10/01/2010 | Issued/ Increased | Repaid/ Decreased | Debt Outstanding 09/30/2011 | Amounts Due Within One Year |
|---|-----------------------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| <u>Governmental Activities</u> | | | | | |
| Warrants Payable: | | | | | |
| General Obligation Series 2003 | \$10,830,000.00 | \$ | \$ (600,000.00) | \$10,230,000.00 | \$ 620,000.00 |
| General Obligation Series 2004 | 11,000,000.00 | | | 11,000,000.00 | |
| General Obligation Series 2010 | 3,085,000.00 | | (265,000.00) | 2,820,000.00 | 280,000.00 |
| Total Warrants Payable | 24,915,000.00 | | (865,000.00) | 24,050,000.00 | 900,000.00 |
| Add: Bond Premium Series 2003 | 1,304.05 | | (100.31) | 1,203.74 | 100.31 |
| Add: Bond Premium Series 2004 | 33,952.52 | | (1,786.97) | 32,165.55 | 1,786.97 |
| Add: Bond Premium Series 2010 | 18,760.15 | | (1,940.71) | 16,819.44 | 1,940.71 |
| Less: Deferred Loss on Refunding | (24,415.00) | | 2,570.00 | (21,845.00) | (2,570.00) |
| Warrants Payable, Net | 24,944,601.72 | | (866,257.99) | 24,078,343.73 | 901,257.99 |
| Capital Leases Payable | 677,603.46 | | (294,673.87) | 382,929.59 | 115,897.29 |
| Estimated Liability for Compensated Absences | 908,870.06 | 108,415.54 | | 1,017,285.60 | 293,189.34 |
| Net OPEB Obligation | 1,201,299.23 | 788,606.10 | | 1,989,905.33 | |
| Total Governmental Activities Long-Term Liabilities | 27,732,374.47 | 897,021.64 | (1,160,931.86) | 27,468,464.25 | 1,310,344.62 |
| <u>Business-Type Activities</u> | | | | | |
| Estimated Liability for Compensated Absences | | | | | |
| Absences | 20,783.34 | | (561.25) | 20,222.09 | 5,122.68 |
| Net OPEB Obligation | 61,306.77 | 40,342.80 | | 101,649.57 | |
| Total Business-Type Activities | \$ 82,090.11 | \$ 40,342.80 | \$ (561.25) | \$ 121,871.66 | \$ 5,122.68 |

Payments on the warrants 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 primarily 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.

Notes to the Financial Statements
For the Year Ended September 30, 2011

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

| Fiscal Year Ending | Series 2003 General Obligation Warrants | | Series 2004 General Obligation Warrants | |
|--------------------|--|-----------------------|--|-----------------------|
| | Principal | Interest | Principal | Interest |
| September 30, 2012 | \$ 620,000.00 | \$ 202,845.00 | \$ | \$ 547,625.00 |
| 2013 | 640,000.00 | 386,160.00 | | 547,625.00 |
| 2014 | 660,000.00 | 365,360.00 | | 547,625.00 |
| 2015 | 685,000.00 | 342,920.00 | | 547,625.00 |
| 2016 | 710,000.00 | 318,602.50 | | 547,625.00 |
| 2017-2021 | 4,320,000.00 | 1,169,787.50 | 245,000.00 | 2,732,845.00 |
| 2022-2026 | 2,595,000.00 | 176,400.00 | 5,120,000.00 | 2,404,980.00 |
| 2027-2029 | | | 5,635,000.00 | 573,000.00 |
| Total | <u>\$10,230,000.00</u> | <u>\$2,962,075.00</u> | <u>\$11,000,000.00</u> | <u>\$8,448,950.00</u> |

Bond Issuance Costs, Deferred Charges on Refunding and Premiums

The Commission has bond issuance costs as well as bond premiums in connection with the issuance of its 2003, 2004 and 2010 General Obligation Warrants. The issuance costs and bond premiums are being amortized using the straight-line method over the remaining life of the Warrants. There are deferred amounts on refunded debt (2010 Warrants) which are being amortized using the straight-line method over the remaining life of the debt and will be reported as an adjustment of interest expense.

| | Issuance Costs | Deferred Loss on Refunding | Premium |
|---|----------------------|-------------------------------|---------------------|
| Total Issuance Costs, Deferred Loss on Refunding, and Premium | \$ 583,174.51 | \$25,700.00 | \$ 66,261.60 |
| Amount Amortized Prior Years | (153,249.33) | (1,285.00) | (12,244.88) |
| Balance Issuance Costs, Deferred Loss on Refunding, and Premium | 429,925.18 | 24,415.00 | 54,016.72 |
| Current Amount Amortized | (30,019.14) | (2,570.00) | (3,827.99) |
| Balance Issuance Costs, Deferred Loss on Refunding, and Premium | <u>\$ 399,906.04</u> | <u>\$21,845.00</u> | <u>\$ 50,188.73</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2011

| Series 2010 General Obligation Warrants | | Capital Leases Contracts Payable | | Total Principal and Interest Requirements |
|--|---------------------|-------------------------------------|--------------------|---|
| Principal | Interest | Principal | Interest | |
| \$ 280,000.00 | \$ 78,810.00 | \$115,897.29 | \$18,152.44 | \$ 1,863,329.73 |
| 285,000.00 | 71,735.00 | 59,222.74 | 13,817.42 | 2,003,560.16 |
| 295,000.00 | 63,035.00 | 36,314.59 | 11,391.81 | 1,978,726.40 |
| 305,000.00 | 54,035.00 | 25,232.56 | 9,806.96 | 1,969,619.52 |
| 315,000.00 | 45,523.00 | 26,822.76 | 8,216.76 | 1,971,790.02 |
| 1,340,000.00 | 86,238.00 | 119,439.65 | 14,878.51 | 10,028,188.66 |
| | | | | 10,296,380.00 |
| | | | | 6,208,000.00 |
| \$2,820,000.00 | \$399,376.00 | \$382,929.59 | \$76,263.90 | \$36,319,594.49 |

Note 12 – 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. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

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

Notes to the Financial Statements
For the Year Ended September 30, 2011

The Commission is self-insured with regard to employee health insurance. The Commission purchases insurance for claims in excess of the aggregate stop loss basis. The aggregate stop loss basis is determined annually based on the Commission's claim experience. An estimate of the claims liability is reported in the governmental funds and the proprietary 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 three 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 |
|--------------|------------------------------------|--|----------------|----------------------------|
| 2008-2009 | \$ 41,655.11 | \$3,006,733.32 | \$3,038,037.35 | \$ 10,351.08 |
| 2009-2010 | \$ 10,351.08 | \$3,519,497.49 | \$3,261,520.39 | \$268,328.18 |
| 2010-2011 | \$268,328.18 | \$4,021,561.73 | \$4,163,253.21 | \$126,636.70 |

Note 13 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2011, were as follows:

| | Interfund Receivables | | | Totals |
|----------------------------------|-----------------------|---------------------|--------------------------|-----------------------|
| | General Fund | Gasoline Tax Fund | Other Governmental Funds | |
| <u>Interfund Payables</u> | | | | |
| General Fund | \$ | \$ 26,295.75 | \$598,729.14 | \$ 625,024.89 |
| Other Governmental Funds | 349,958.36 | 102,843.04 | 340,136.43 | 792,937.83 |
| Totals | <u>\$349,958.36</u> | <u>\$129,138.79</u> | <u>\$938,865.57</u> | <u>\$1,417,962.72</u> |

Notes to the Financial Statements
For the Year Ended September 30, 2011

Advances To/From Other Funds

| | Advances From Other Governmental Funds |
|---------------------|---|
| <u>Advances To:</u> | |
| General Fund | \$60,000.00 |
| Total | \$60,000.00 |

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2011, were as follows:

| | Operating Transfers Out | | |
|--------------------------------|-------------------------|--------------------------------|----------------|
| | General Fund | Other Governmental Funds | |
| <u>Operating Transfers In:</u> | | | |
| General Fund | \$ | \$63,388.33 | \$ 63,388.33 |
| Gasoline Tax Fund | 2,594,833.00 | | 2,594,833.00 |
| Other Governmental Funds | 2,729,266.76 | 1.00 | 2,729,267.76 |
| Totals | \$5,324,099.76 | \$63,389.33 | \$5,387,489.09 |

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.

Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 14 – 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 |
| Public Parks and Recreation Board |
| Morgan County Commercial Development District |

Note 15 – Subsequent Event

At its June 26, 2012 meeting, the Commission authorized the issuance of \$9,995,000.00 General Obligation Refunding Warrants, Series 2012, to refund the General Obligation Warrants, Series 2003.

Note 16 – Restatements

A restatement to the beginning fund balances of Governmental Funds was necessary due to the implementation of GASB Statement Number 54, ***Fund Balance Reporting and Governmental Fund Type Definitions***, for fiscal year ended September 30, 2011. This resulted in a change in format and the method of reporting fund balance in the basic financial statements.

Notes to the Financial Statements
For the Year Ended September 30, 2011

The impact of the restatements on the fund balances as previously reported is as follows:

| Governmental Fund | General | Gasoline Tax | Public, Buildings Road and Bridges Fund | Other Governmental Funds | Total |
|---|-----------------------|-----------------------|--|--------------------------------|------------------------|
| Fund Balance, September 30, 2010, as Previously Reported | \$1,840,980.35 | \$1,129,335.68 | \$ 1,670,735.02 | \$10,496,002.71 | \$15,137,053.76 |
| Restatement: | | | | | |
| Public Buildings, Road and Bridges Fund | 1,670,735.02 | | (1,670,735.02) | | |
| Flood Insurance Permit Fund | 4,087.73 | | | (4,087.73) | |
| Morgan County Park West Fund | 28,496.86 | | | (28,496.86) | |
| Morgan County Park East Fund | 31,269.80 | | | (31,269.80) | |
| Morgan County Park South Fund | 17,271.62 | | | (17,271.62) | |
| Morgan County Park North Fund | 1,526.22 | | | (1,526.22) | |
| Severed Material Severance Tax Fund | | 46,062.26 | | (46,062.26) | |
| Jack Maddox Industrial Park Fund | 40,864.35 | | | (40,864.35) | |
| Rural Morgan County Industrial Development Fund | 382,533.72 | | | (382,533.72) | |
| Industrial Fund | 25,939.67 | | | (25,939.67) | |
| Hurricane Relief Grant Fund | 130.34 | | | (130.34) | |
| Commission on Aging | 50,112.82 | | | (50,112.82) | |
| Recycling Fund | 1,281,229.50 | | | (1,281,229.50) | |
| Soil and Water Conservation | 1,509.74 | | | (1,509.74) | |
| Fund Balance, September 30, 2010, as Restated | <u>\$5,376,687.74</u> | <u>\$1,175,397.94</u> | <u>\$</u> | <u>\$ 8,584,968.08</u> | <u>\$15,137,053.76</u> |

This Page Intentionally Blank

Required Supplementary Information

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2011***

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> |
|--|-------------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | |
| <u>Revenues</u> | | | |
| Taxes | \$ 13,270,622.00 | \$ 13,270,622.00 | \$ 12,531,375.10 |
| Licenses and Permits | 210,600.00 | 210,600.00 | 197,561.99 |
| Intergovernmental | 980,741.00 | 1,299,580.67 | 1,296,805.70 |
| Charges for Services | 4,636,800.00 | 4,640,264.00 | 4,667,438.10 |
| Miscellaneous | 329,000.00 | 342,098.19 | 273,540.47 |
| Total Revenues | <u>19,427,763.00</u> | <u>19,763,164.86</u> | <u>18,966,721.36</u> |
| <u>Expenditures</u> | | | |
| Current: | | | |
| General Government | 6,625,939.00 | 6,671,847.00 | 6,344,965.70 |
| Public Safety | 10,840,558.00 | 11,175,509.86 | 10,975,597.84 |
| Highways and Roads | | | |
| Sanitation | | | |
| Health | 524,117.00 | 525,957.00 | 541,213.17 |
| Welfare | 167,920.00 | 198,879.08 | 174,930.34 |
| Culture and Recreation | 265,531.00 | 276,581.00 | 252,456.19 |
| Education | 250,000.00 | 250,000.00 | 50,000.00 |
| Capital Outlay | 375,003.00 | 473,743.36 | 52,049.56 |
| Debt Service: | | | |
| Principal | 6,206.00 | 6,206.00 | 6,015.50 |
| Interest | 550.00 | 1,610.00 | 1,237.61 |
| Total Expenditures | <u>19,055,824.00</u> | <u>19,580,333.30</u> | <u>18,398,465.91</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>371,939.00</u> | <u>182,831.56</u> | <u>568,255.45</u> |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers In | 1,460,342.00 | 1,588,087.19 | (980,514.14) |
| Sale of Capital Assets | 15,356.00 | 15,356.00 | 12,046.32 |
| Transfers Out | (3,447,653.00) | (3,557,168.28) | (1,000,379.33) |
| Total Other Financing Sources (Uses) | <u>(1,971,955.00)</u> | <u>(1,953,725.09)</u> | <u>(1,968,847.15)</u> |
| Net Change in Fund Balances | (1,600,016.00) | (1,770,893.53) | (1,400,591.70) |
| Fund Balances - Beginning of Year | <u>1,600,016.00</u> | <u>1,770,893.53</u> | <u>1,840,980.35</u> |
| Fund Balances - End of Year | <u>\$</u> | <u>\$</u> | <u>\$ 440,388.65</u> |

| | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|-----|---------------------------------------|--------------------------------------|
| (1) | \$ 4,444,335.86 | \$ 16,975,710.96 |
| (1) | 150.00 | 197,711.99 |
| (1) | 329,946.12 | 1,626,751.82 |
| (1) | 124,620.97 | 4,792,059.07 |
| (1) | 90,237.95 | 363,778.42 |
| | 4,989,290.90 | 23,956,012.26 |
| (2) | (124,419.66) | 6,469,385.36 |
| (2) | (12,750.00) | 10,988,347.84 |
| (2) | (107,148.92) | 107,148.92 |
| (2) | (172,702.08) | 172,702.08 |
| | | 541,213.17 |
| (2) | (300,034.51) | 474,964.85 |
| (2) | (637,420.61) | 889,876.80 |
| | | 50,000.00 |
| (2) | (28,992.00) | 81,041.56 |
| (2) | (19,760.27) | 25,775.77 |
| (2) | (15,279.25) | 16,516.86 |
| | (1,418,507.30) | 19,816,973.21 |
| | 3,570,783.60 | 4,139,039.05 |
| (3) | 1,043,902.47 | 63,388.33 |
| | | 12,046.32 |
| (3) | (4,323,720.43) | (5,324,099.76) |
| | (3,279,817.96) | (5,248,665.11) |
| | 290,965.64 | (1,109,626.06) |
| (4) | 3,535,707.39 | 5,376,687.74 |
| | \$ 3,826,673.03 | \$ 4,267,061.68 |

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2011***

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

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

| | | |
|--|----|--------------|
| (1) Revenues | | |
| Flood Insurance Permit Fund | \$ | 160.70 |
| Morgan County Park West | | 40,537.08 |
| Morgan County Park East | | 35,931.72 |
| Morgan County Park South | | 31,920.65 |
| Morgan County Park North | | 37,966.93 |
| Public Buildings, Roads and Bridges | | 4,509,076.69 |
| Jack Maddox Industrial Park | | 104.76 |
| Rural Morgan County Industrial Development | | 1,148.62 |
| Industrial Fund | | 66.49 |
| Hurricane Relief Grant | | 11.39 |
| Commission on Aging | | 96,169.27 |
| Disaster Relief Fund | | 13,494.08 |
| Recycling Fund | | 178,521.28 |
| Soil and Water Conservation | | 44,181.24 |
| | | <hr/> |
| (2) Expenditures | | |
| Morgan County Park West | | 185,320.55 |
| Morgan County Park East | | 105,829.73 |
| Morgan County Park South | | 139,906.05 |
| Morgan County Park North | | 223,614.51 |
| Public Buildings, Roads and Bridges | | 130,032.82 |
| Rural Morgan County Industrial Development | | 68,243.25 |
| Commission on Aging | | 336,715.80 |
| Disaster Relief Fund | | 12,750.00 |
| Recycling Fund | | 172,702.08 |
| Soil and Water Conservation | | 43,392.51 |
| | | <hr/> |

4,989,290.90

(1,418,507.30)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2011***

| | | |
|--|----|----------------|
| (3) Other Financing Sources/(Uses), Net | | |
| Morgan County Park West | \$ | 162,040.00 |
| Morgan County Park East | | 67,095.00 |
| Morgan County Park South | | 92,718.00 |
| Morgan County Park North | | 203,211.16 |
| Public Buildings, Roads and Bridges | | (4,268,962.79) |
| Rural Morgan County Industrial Development | | 228,498.67 |
| Commission on Aging | | 235,582.00 |
| | | <hr/> |

Net Increase in Fund Balance - Budget to GAAP

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

(3,279,817.96)

\$ 290,965.64

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2011***

| | Budgeted Amounts | | Actual Amounts Budgetary Basis |
|--|-------------------------|-----------------------|---|
| | Original | Final | |
| Revenues | | | |
| Intergovernmental | \$ 1,831,900.00 | \$ 1,831,900.00 | \$ 1,924,650.35 |
| Miscellaneous | 25,800.00 | 25,800.00 | 19,467.15 |
| Total Revenues | <u>1,857,700.00</u> | <u>1,857,700.00</u> | <u>1,944,117.50</u> |
| Expenditures | | | |
| Current: | | | |
| Highways and Roads | 4,485,265.00 | 4,485,265.00 | 3,990,779.01 |
| Capital Outlay | 16,850.00 | 16,850.00 | |
| Debt Service: | | | |
| Principal Retirement | 266,320.00 | 266,320.00 | 266,320.04 |
| Interest and Fiscal Charges | 10,408.00 | 10,408.00 | 10,586.42 |
| Total Expenditures | <u>4,778,843.00</u> | <u>4,778,843.00</u> | <u>4,267,685.47</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(2,921,143.00)</u> | <u>(2,921,143.00)</u> | <u>(2,323,567.97)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers In | 2,760,833.00 | 2,760,833.00 | 2,720,833.00 |
| Sale of Capital Assets | | | 4,175.00 |
| Total Other Financing Sources (Uses) | <u>2,760,833.00</u> | <u>2,760,833.00</u> | <u>2,725,008.00</u> |
| Net Change in Fund Balances | (160,310.00) | (160,310.00) | 401,440.03 |
| Fund Balances - Beginning of Year | <u>160,310.00</u> | <u>160,310.00</u> | <u>1,129,335.68</u> |
| Fund Balances - End of Year | <u>\$</u> | <u>\$</u> | <u>\$ 1,530,775.71</u> |

| | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|--------|---------------------------------------|--------------------------------------|
| (1) \$ | 111,815.08 | \$ 2,036,465.43 |
| (1) | 211.79 | 19,678.94 |
| | <u>112,026.87</u> | <u>2,056,144.37</u> |
| | | 3,990,779.01 |
| | | 266,320.04 |
| | | 10,586.42 |
| | | <u>4,267,685.47</u> |
| | <u>112,026.87</u> | <u>(2,211,541.10)</u> |
| (2) | (126,000.00) | 2,594,833.00 |
| | | 4,175.00 |
| | <u>(126,000.00)</u> | <u>2,599,008.00</u> |
| | (13,973.13) | 387,466.90 |
| (3) | 46,062.26 | 1,175,397.94 |
| | <u>\$ 32,089.13</u> | <u>\$ 1,562,864.84</u> |

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2011***

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

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

| | |
|------------------------------------|------------------------|
| (1) Revenues | |
| Severed Minerals Tax Fund | <u>\$ 112,026.87</u> |
| (2) Other Financing Sources/(Uses) | |
| Severed Minerals Tax Fund | <u>\$ (126,000.00)</u> |

Net Decrease in Fund Balance - Budget to GAAP

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

\$ 112,026.87

(126,000.00)

\$ (13,973.13)

This Page Intentionally Blank

***Schedule of Funding Progress
Defined Benefit Pension Plan
For the Year Ended September 30, 2011***

| 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] |
|--------------------------|-------------------------------|--|---------------------------|--------------------|---------------------|---|
| 09/30/2010** | \$26,472,220 | \$36,280,210 | \$9,807,990 | 73.00% | \$13,998,848 | 70.10% |
| 09/30/2009 | \$26,422,120 | \$33,804,303 | \$7,382,183 | 78.20% | \$13,069,171 | 56.50% |
| 09/30/2008 | \$26,374,704 | \$31,703,468 | \$5,328,764 | 83.20% | \$12,353,902 | 43.10% |

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

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

***Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2011***

| 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] |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 10/01/2009 | \$0 | \$7,531,439 | \$7,531,439 | 0.0% | \$13,653,166 | 55.16% |
| 10/01/2008 | \$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, 2011***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|---|------------------------------------|--|
| <u>U. S. Department of Housing and Urban Development Passed Through the Alabama Department of Economic and Community Affairs</u> | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | CY CE PF 09 005 |
| <u>U. S. Department of the Interior Direct Program</u> | | |
| National Wildlife Refuge Fund | 15.659 | N/A |
| <u>U. S. Department of Justice Direct Program</u> | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | N/A |
| <u>Passed Through Alabama Department of Economic and Community Affairs</u> | | |
| Juvenile Accountability Block Grant | 16.523 | 10-JB-15-003 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 09-DJ-01-090 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 07-DJ-01-045 |
| Sub-Total Edward Byrne Memorial Justice Assistance Grant Program | | |
| Total U. S. Department of Justice | | |
| <u>U. S. Department of Transportation Passed Through Alabama Department of Transportation</u> | | |
| Federal Transit Formula Grants | 20.507 | Section 5307 |
| ARRA-Federal Transit Formula Grants | 20.507 | Section 5307 |
| Sub-Total Federal Transit Formula Grants (M) | | |
| Formula Grants for Other Than Urbanized Areas | 20.509 | Section 5311 |
| ARRA-Formula Grants for Other Than Urbanized Areas | 20.509 | Section 5311 |
| Sub-Total Formula Grants for Other Than Urbanized Areas (M) | | |
| <u>Passed Through North Alabama Highway Safety Office</u> | | |
| Highway Safety Cluster: | | |
| State and Community Highway Safety | 20.600 | 11-SP-PT-003 |
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | 11-HS-FR-003 |
| Sub-Total Highway Safety Cluster | | |
| Total U. S. Department of Transportation | | |
| Sub-Total Forward | | |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|-----------------|------------------|-----------------------|-----------------|
| | Total | Federal Share | | |
| 10/19/2009-00/00/0000 | \$ 290,000.00 | \$ 250,000.00 | \$ 212,037.50 | \$ 212,037.50 |
| 10/01/2010-09/30/2011 | 2,067.62 | 2,067.62 | 2,067.62 | 2,067.62 |
| 12/16/2009-12/15/2012 | 160,000.00 | 160,000.00 | 141,258.90 | 141,258.90 |
| 10/01/2010-09/30/2011 | 22,000.01 | 19,795.01 | 19,795.01 | 19,795.01 |
| 04/01/2010-03/31/2011 | 25,000.00 | 25,000.00 | 25,000.00 | 25,000.00 |
| 10/01/2010-09/30/2011 | 160,000.00 | 160,000.00 | 160,000.00 | 160,000.00 |
| | 185,000.00 | 185,000.00 | 185,000.00 | 185,000.00 |
| | 367,000.01 | 364,795.01 | 346,053.91 | 346,053.91 |
| 10/01/2010-09/30/2011 | 281,063.00 | 281,063.00 | 281,063.00 | 281,063.00 |
| 10/01/2010-09/30/2011 | 616,440.00 | 616,440.00 | 616,440.00 | 616,440.00 |
| | 897,503.00 | 897,503.00 | 897,503.00 | 897,503.00 |
| 10/01/2010-09/30/2011 | 149,393.00 | 149,393.00 | 149,393.00 | 149,393.00 |
| 10/01/2010-09/30/2011 | 377,867.00 | 377,867.00 | 377,867.00 | 377,867.00 |
| | 527,260.00 | 527,260.00 | 527,260.00 | 527,260.00 |
| 10/20/2010-03/31/2011 | 1,200.00 | 1,200.00 | 1,200.00 | 1,200.00 |
| 10/20/2010-03/31/2011 | 11,000.00 | 11,000.00 | 11,000.00 | 11,000.00 |
| | 12,200.00 | 12,200.00 | 12,200.00 | 12,200.00 |
| | 1,436,963.00 | 1,436,963.00 | 1,436,963.00 | 1,436,963.00 |
| | \$ 2,096,030.63 | \$ 2,053,825.63 | \$ 1,997,122.03 | \$ 1,997,122.03 |

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|--|---------------------------|-------------------------------------|
| Sub-Total Brought Forward | | |
| <u>U. S. General Services Administration Passed Through Alabama Department of Economic and Community Affairs</u> | | |
| Donation of Federal Surplus Personal Property (N) | 39.003 | N/A |
| <u>National Archives and Records Administration Passed Through Alabama Department of Archives</u> | | |
| National Historical Publications and Records Grants | 89.003 | N/A |
| <u>U. S. Election Assistance Commission Passed Through the Alabama Secretary of State</u> | | |
| Help America Vote Act Requirements Payments | 90.401 | 2011-0009 |
| <u>U. S. Department of Health and Human Services Passed Through North Alabama Regional Council of Governments</u> | | |
| 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 | | |
| <u>Executive Office of the President Passed Through the Alabama Department of Public Safety</u> | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | N/A |
| Sub-Total Forward | | |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|------------------|------------------|-----------------------|------------------|
| | Total | Federal Share | | |
| | \$ 2,096,030.63 | \$ 2,053,825.63 | \$ 1,997,122.03 | \$ 1,997,122.03 |
| 10/01/2010-09/30/2011 | | | 23,292.05 | 23,292.05 |
| 10/01/2010-09/30/2011 | 4,352.96 | 1,000.00 | 1,000.00 | 1,000.00 |
| 10/01/2010-09/30/2011 | 150,390.77 | 150,390.77 | 74,162.32 | 74,162.32 |
| 10/01/2010-09/30/2011 | 10,000.00 | 10,000.00 | 10,000.00 | 10,000.00 |
| 10/01/2010-09/30/2011 | 35,430.00 | 35,430.00 | 35,430.00 | 35,430.00 |
| | <u>45,430.00</u> | <u>45,430.00</u> | <u>45,430.00</u> | <u>45,430.00</u> |
| 10/01/2010-09/30/2011 | <u>16,881.79</u> | <u>16,881.79</u> | <u>16,881.79</u> | <u>16,881.79</u> |
| | \$ 2,313,086.15 | \$ 2,267,528.19 | \$ 2,157,888.19 | \$ 2,157,888.19 |

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|--|------------------------------------|--|
| Sub-Total Brought Forward | | |
| <u>U. S. Department of Homeland Security</u> | | |
| <u>Passed Through Alabama Emergency Management Agency</u> | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-1971-DR-AL |
| Hazardous Mitigation Grant | 97.039 | DR-1789-0002 |
| Hazardous Mitigation Grant | 97.039 | DR-1797-0003 |
| Sub-Total Hazardous Mitigation Grant | | |
| Emergency Management Performance Grants | 97.042 | 1EMF |
| <u>Passed Through Alabama Department of Homeland Security</u> | | |
| Homeland Security Grant Program | 97.067 | 0CCL |
| Homeland Security Grant Program | 97.067 | 9CCL |
| Homeland Security Grant Program | 97.067 | 0SHL |
| Homeland Security Grant Program | 97.067 | 8SHL |
| Homeland Security Grant Program | 97.067 | 9MAL |
| Homeland Security Grant Program | 97.067 | 8MAL |
| Sub-Total Homeland Security Grant Program | | |
| Total U. S. Department of Homeland Security | | |
| <u>Other Federal Assistance</u> | | |
| <u>Tennessee Valley Authority</u> | | |
| <u>Passed Through State of Alabama Department of Emergency Management</u> | | |
| Radiological Emergency Plans | N/A | N/A |
| Total Expenditures of Federal Awards | | |

(M) = Major Program

(N) = Non-Cash Assistance

N/A = Not Available or Not Applicable

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

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|-----------------|------------------|-----------------------|-----------------|
| | Total | Federal Share | | |
| | \$ 2,313,086.15 | \$ 2,267,528.19 | \$ 2,157,888.19 | \$ 2,157,888.19 |
| 04/28/2011-10/28/2011 | 252,615.17 | 189,461.38 | 189,461.38 | 189,461.38 |
| 01/14/2011-10/28/2014 | 65,000.00 | 48,521.00 | 45,140.29 | 45,140.29 |
| 01/28/2011-01/28/2014 | 92,757.00 | 69,568.00 | 4,810.22 | 4,810.22 |
| | 157,757.00 | 118,089.00 | 49,950.51 | 49,950.51 |
| 10/01/2010-09/30/2011 | 61,213.00 | 61,213.00 | 59,991.96 | 59,991.96 |
| 09/13/2010-07/31/2012 | 24,200.00 | 24,200.00 | 7,275.64 | 7,275.64 |
| 08/01/2009-12/31/2011 | 21,000.00 | 21,000.00 | 2,017.42 | 2,017.42 |
| 09/13/2010-07/31/2012 | 79,333.00 | 79,333.00 | 39,033.17 | 39,033.17 |
| 10/10/2088-05/31/2011 | 73,532.49 | 73,532.49 | 2,017.34 | 2,017.34 |
| 08/01/2009-12/31/2011 | 25,905.00 | 25,905.00 | 1,778.00 | 1,778.00 |
| 10/10/2008-05/31/2011 | 15,485.00 | 15,485.00 | 13,959.00 | 13,959.00 |
| | 239,455.49 | 239,455.49 | 66,080.57 | 66,080.57 |
| | 711,040.66 | 608,218.87 | 365,484.42 | 365,484.42 |
| 10/01/2010-09/30/2011 | 136,775.00 | 136,775.00 | 136,775.00 | 136,775.00 |
| | \$ 3,160,901.81 | \$ 3,012,522.06 | \$ 2,660,147.61 | \$ 2,660,147.61 |

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2011***

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 primary government financial statements.

Additional Information

Commission Members and Administrative Personnel
October 1, 2010 through September 30, 2011

| Commission Members | | Term Expires |
|--|---------------|---------------------|
| Hon. John Y. Glasscock | Chairman | November 2010 |
| Hon. Ray Long | Chairman | November 2016 |
| Hon. Jeff Clark | Member | November 2014 |
| Hon. Kenneth Livingston | Member | November 2010 |
| Hon. Don Stisher | Member | November 2016 |
| Hon. Greg Abercrombie | Member | November 2016 |
| Hon. Randy Vest | Member | November 2014 |
| <u>Administrative Personnel</u> | | |
| Belinda G. Ealey | Administrator | November 2016 |

***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 as of and for the year ended September 30, 2011, which collectively comprise the Morgan County Commission's basic financial statements and have issued our report thereon dated February 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

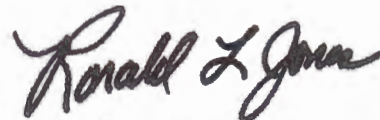
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

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

This report is intended solely for the information and use of management, the 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
Chief Examiner

Department of Examiners of Public Accounts

February 14, 2013

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

Independent Auditor's Report

Compliance

We have audited the Morgan County Commission's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Morgan County Commission's major federal programs for the year ended September 30, 2011. The Morgan County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Morgan County Commission's management. Our responsibility is to express an opinion on the Morgan County 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 Morgan County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Morgan County Commission's compliance with those requirements.

In our opinion, the Morgan County Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

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

Internal Control Over Compliance

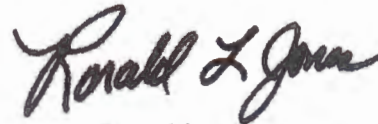
Management of the Morgan County Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Morgan County Commission's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

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

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

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

This report is intended solely for the information and use of management, the 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
Chief Examiner

Department of Examiners of Public Accounts

February 14, 2013

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

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

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

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

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

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

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|--------------|---|
| 20.507 | Federal Formula Transit 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

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

| Ref. No. | CFDA No. | Program | Finding/Noncompliance | Questioned Costs |
|-------------|-------------|---------|-----------------------------|---------------------|
| | | | No matters were reportable. | |