Report on the

Morgan County Commission

Morgan County, Alabama

October 1, 2012 through September 30, 2013

Filed: February 27, 2015

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

14-570

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Ronald L. Jones
Chief Examiner

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

Dear Sir:

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

Respectfully submitted,

Denise H. Olive
Denise H. Olive
Examiner of Public Accounts

Stephen M Schlosser
Stephen M. Schlosser
Examiner of Public Accounts

Sworn to and subscribed before me this
the 22nd day of January, 2015.

Mandi Willis
Notary Public

Sworn to and subscribed before me this
the 12th day of February, 2015.

Jan Ebell
Notary Public

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Department of
Examiners of Public Accounts

SUMMARY

Morgan County Commission
October 1, 2012 through September 30, 2013

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 unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2013.

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

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

A problem was found with the Commission's internal control over compliance for its federal assistance programs (Exhibit 20) and it is summarized below:

- 2013-001 relates to the Commission's failure to comply with requirements of the Davis-Bacon Act for federal programs.

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: Ray Long, Chairman of the Morgan County Commission; Belinda Ealey, County Administrator; and Commission Members: Jeff Clark, Don Stisher, Greg Abercrombie, and Randy Vest. The following individuals attended the exit conference, held at the offices of the Morgan County Commission: Ray Long, Chairman of the Morgan County Commission; Belinda Ealey, County Administrator; Commission Members: Greg Abercrombie and Randy Vest; and representatives of the Department of Examiners of Public Accounts: Randy O'Bannon, Audit Manager, Denise H. Olive, Examiner of Public Accounts, and Stephen M. Schlosser, Examiner of Public Accounts.

Independent Auditor's Report

Independent Auditor's Report

To: Members of the Morgan County Commission and County Administrator.

Report on the Financial Statements

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, 2013, and related notes to the financial statements, which collectively comprise the basic financial statements of the Morgan County Commission as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 9, 2015, on our consideration of the Morgan County Commission's internal control over financial reporting and 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Morgan County Commission's internal control over financial reporting and compliance.

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

Montgomery, Alabama

January 9, 2015

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, 2013. Please read it in conjunction with the Commission's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Commission's total net position decreased by $1,443,879 over the course of the year's operations. Net position of our business-type activities increased by $470,835 (or approximately 17.27%), while the net position of our governmental activities decreased by $1,914,714 (or 5.23%).
- In the County's governmental activities, expenses increased by $3,036,664 or approximately 8.33%), while revenues increased by $922,723 (or approximately 2.52%).
- In the County's business-type activities, operating expenses decreased by 31.49%, while operating revenues increased by approximately 4.44%.
- The General Fund reserve increased by $141,587. The Gasoline Tax Fund reserve decreased by $210,083. Other Governmental Funds reserve increased by $341,936.

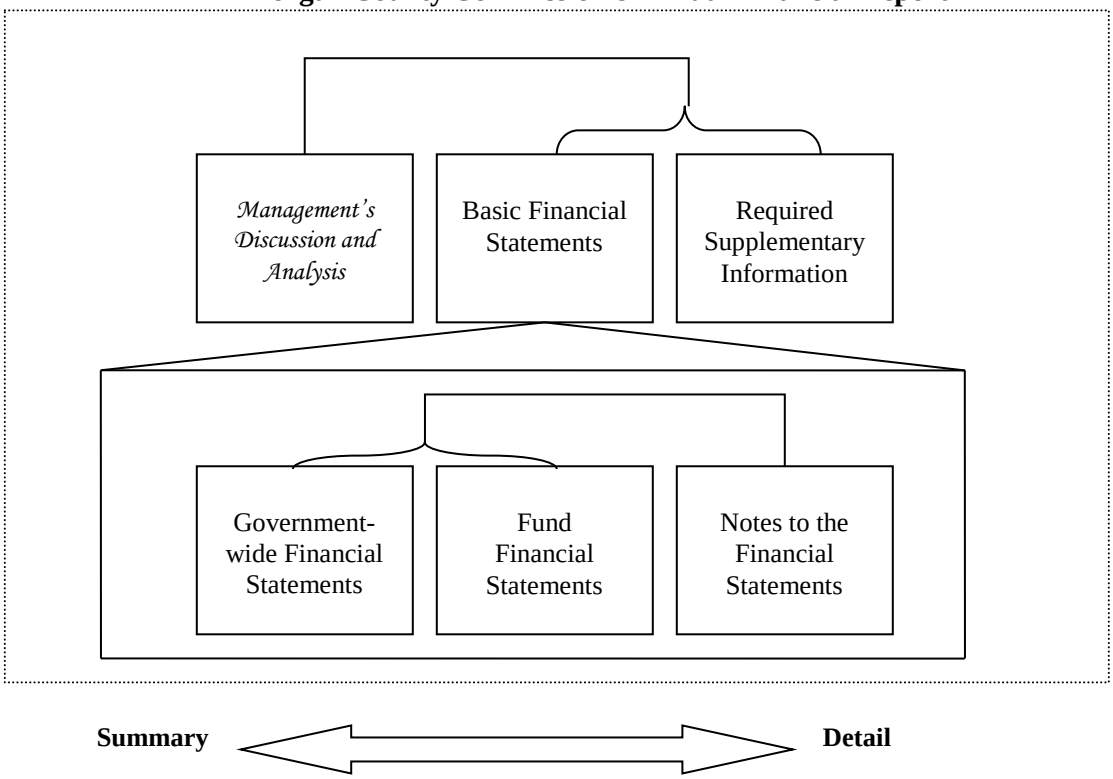
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the environmental services.
  - *Fiduciary fund* statements provide information about financial relationships, like the District Attorney and Worthless Check Funds, in which the Commission acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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



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

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

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

		Fund Financial Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as public safety, highways and roads, and health	Activities the County operates similar to private businesses: Environmental Services	Instances in which the County is the trustee or agent for someone else's resources, such as the District Attorney and Worthless Check Fund
Required Financial Statements	• Statement of net position • Statement of Activities	• Balance Sheet • Statement of Revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
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 position 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 position* and how they have changed. Net position, the difference between the Commission's assets and liabilities, is one way to measure the Commission's financial health.

- Over time, increases or decreases in the Commission's net position 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 can be used only for the trust beneficiaries due to a trust agreement. 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 position and a statement of changes in fiduciary net position. 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

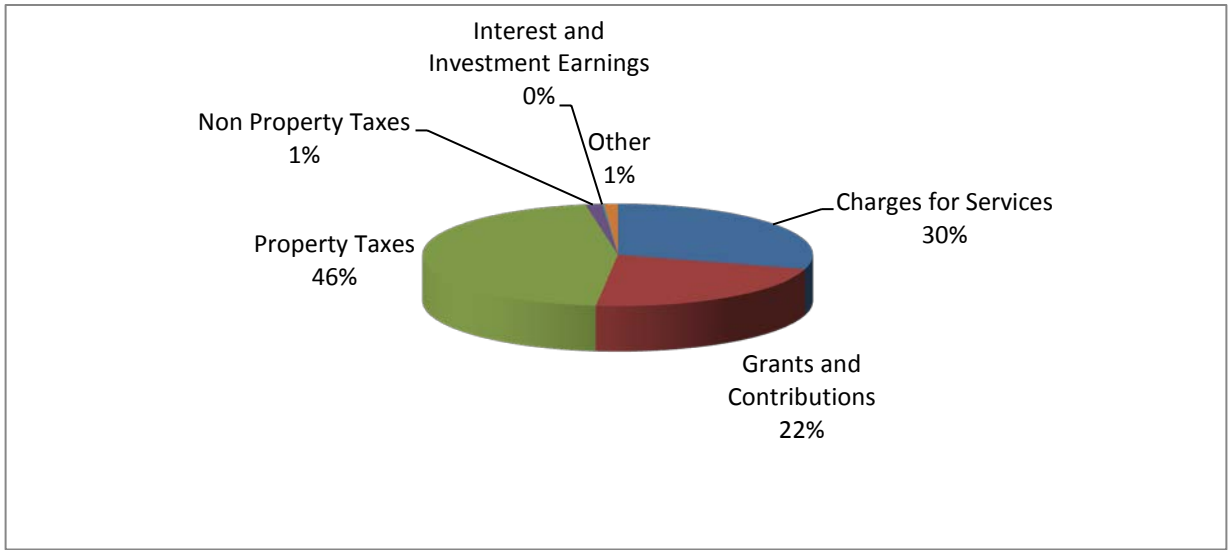
Net position. The Commission's combined net position decreased between fiscal years 2012 and 2013 by approximately $1,443,879 to $37.89 million. Net position for business-type activities increased 17.27% to approximately $3.20 million while net position for governmental activities decreased by 5.23% to approximately $34.69 million.

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

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2012	**2013**	**2012**	**2013**	**2012**	**2013**	**2012-2013**
Current and other assets	$31.26	$32.33	$2.13	$2.24	$33.39	$34.57	3.53%
Capital Assets	48.29	48.22	3.31	3.23	51.60	51.45	(0.29%)
Total Assets	79.55	80.55	5.44	5.47	84.99	86.02	1.21%
Long-term debt outstanding	25.88	27.13	2.57	1.67	28.45	28.80	1.23%
Other Liabilities	17.07	18.73	.14	.61	17.21	19.34	12.39%
Total Liabilities	42.95	45.86	2.71	2.28	45.66	48.14	5.43%
Net position							
Net Investment in Capital Assets	25.21	24.18	.87	1.26	26.08	25.44	(2.45%)
Restricted	7.39	7.71	-	-	7.39	7.71	4.33%
Unrestricted	4.00	2.80	1.86	1.94	5.86	4.74	(19.11%)
Total Net position	$36.60	$34.69	$2.73	$3.20	$39.33	$37.89	(0.17%)

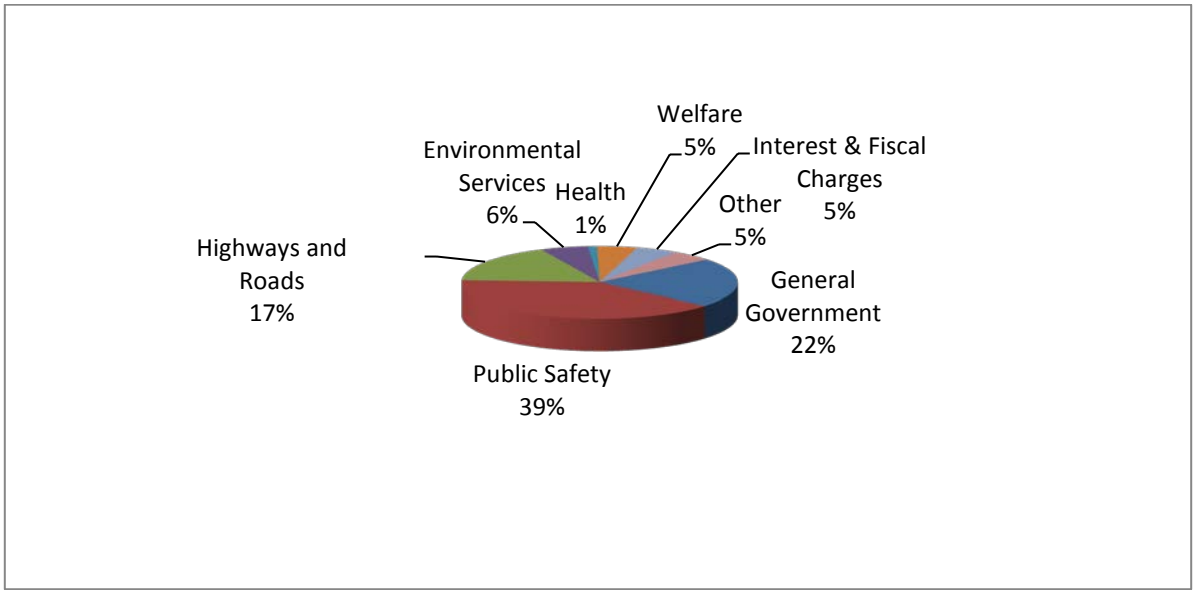
Changes in net position. The Commission's total revenues were approximately $40.41 million. (See Table A-3). Approximately 46% of the Commission's revenue comes from property taxes, and 47 cents of every dollar raised comes from some type of tax. Another 30 cents comes from fees charged for services, and the majority of the remainder is state and federal aid.

Figure A-3
Morgan County Commission
Revenues for Fiscal Year 2012-2013



The total cost of all programs and services was approximately $41.86 million. The Commission's expenses cover a range of services with 61% related to general government and public safety.

Figure A-4
Morgan County Commission
Expenditures for Fiscal Year 2012-2013



The Commission was unable to fully fund this year's cost through current year revenue which resulted in a decrease in net position of $1,443,879.

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 position
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	**2013**	**2012**	**2013**	**2012**	**2013**	**2012-2013**
Revenues							
Program Revenues							
Charges for Services	$8.53	$9.14	$2.69	$2.81	$11.22	$11.95	6.51%
Operating Grants and Contributions	7.41	6.74	-	-	7.41	6.74	(9.04%)
Capital Grants and Contributions	.68	1.76	-	-	.68	1.76	(158.82%)
General Revenues							
Property Taxes	18.52	18.39	-	-	18.52	18.39	(.70%)
Other Taxes	.56	.55	-	-	.56	.55	(1.79%)
Unrestricted Grants/Contributions	.48	.49	-	-	.48	.49	(2.08%)
Interest and Investment Earnings	.06	.06	-	-	.06	.06	0%
Other	.43	.47	.35	.01	.78	.48	(40.13%)
Total revenues	36.67	37.60	3.04	2.82	39.71	40.42	1.76%
Expenses							
General Government	8.53	9.26	-	-	8.53	9.26	8.56%
Public Safety	15.28	16.55	-	-	15.28	16.55	8.31%
Highways and Roads	7.32	7.19	-	-	7.32	7.19	(1.78%)
Sanitation	.19	.24	3.47	2.35	3.66	2.59	(29.23%)
Health	.49	.45	-	-	.49	.45	(8.16%)
Welfare	1.85	1.97	-	-	1.85	1.97	6.49%
Culture and Recreation	1.27	1.30	-	-	1.27	1.30	2.36%
Education	.04	.05	-	-	.04	.05	25.00%
Intergovernmental	.56	.44	-	-	.56	.44	(21.43%)
Interest and Fiscal Charges	.94	2.06	-	-	.94	2.06	119.15%
Loss on Disposal of Fixed Assets	-	-	-	-	-	-	
Total expenses	36.47	39.51	3.47	2.35	39.94	41.86	4.81%
Increase (decrease) in net position	$ .20	$(1.91)	$(.43)	$ .47	$(.23)	$(1.44)	(531.74%)

Governmental Activities

The decrease in net position is a result of actual expenditures exceeding actual revenues 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 $39.51 million, including depreciation expenses of $2.34 million. The total cost increased from the prior year by $3.04 million. This increase is mainly due to fully expensing debt related costs.

- The net cost to taxpayers for these activities was $21.87 million. Some of the costs were paid by:
    - Those who directly benefited from the programs ($9.14 million), or
    - Other governments and organizations that subsidized certain programs with grants and contributions ($8.50 million)

- The Commission paid for the $21.87 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	
	2012	**2013**	**2012-2013**	**2012**	**2013**
General Government	$8.53	$9.26	8.56%	$3.06	$2.93
Public Safety	15.28	16.55	8.31%	10.16	11.22
Highways and Roads	7.32	7.19	(1.78%)	2.98	2.86
Welfare	1.85	1.97	6.49%	.62	.82
Culture and Recreation	1.27	1.30	2.36%	1.04	1.08
Interest & Fiscal Charges	.94	2.06	119.15%	.94	2.06
Other	1.28	1.18	(7.81%)	1.05	.90
Total	$36.47	$39.51	8.34%	$19.85	$21.87

Business-Type Activities

Revenues and expenses of the Commission's business-type activities decreased from the prior year by approximately $225,793 and $1,125,167, respectively. Revenue was higher in the prior year due to receiving an insurance recovery payment that did not reoccur in fiscal year 2013. Expenses in the prior year were higher due to initial costs associated with the implementation of using automated side-loader garbage trucks.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

As the Commission completed the year, its governmental funds reported a *combined* fund balance of $15.46 million representing an increase from the prior year's combined fund balance of $15.18 million. Included in the year's total change in fund balance, is an increase of $141,587 in the Commission's General Fund. The net increase in fund balance includes a decrease of $210,083 in the Gasoline Fund balance and an increase of $341,935 in Other Governmental Funds balance.

General Fund Budgetary Highlights

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the Commission had invested $48.22 million in a broad range of capital assets for its governmental activities. (See Table A-4). This amount represents a net decrease (including additions and deductions) of $.08 million. The decrease includes additions of fixed assets totaling $2.45 million and depreciation expense of $2.34 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
	2012	**2013**	**2012**	**2013**	**2012**	**2013**	**2012-2013**
Land	$3.05	$3.05	$ -	$ -	$3.05	$3.05	0%
Infrastructure	13.56	13.83	-	-	13.56	13.83	1.99%
Infrastructure in Progress	-	.47	-	-	-	.47	100.00%
Buildings and Improvements	25.38	24.53	1.50	1.46	26.88	25.99	(3.31%)
Improvements Other Than Buildings	1.69	1.59	-	-	1.69	1.59	(5.92%)
Equipment and Furniture	4.09	3.53	.29	.42	4.38	3.95	(9.82%)
Construction in Progress	.09	.74	-	-	.09	.74	722.22%
Equipment Under Capital Leases	.44	.48	1.51	1.35	1.95	1.83	(6.15%)
Total	**$48.30**	**$48.22**	**$3.30**	**$3.23**	**$51.60**	**$51.45**	**(.29%)**

Construction began on the West Park Addition, the Union Hill Senior Center, the Brindlee Mountain Concession Stand, the Somerville Senior Center, and the ARRA Sidewalk Project. The Commission is still working on plans for a Jail Annex and the Lacey Springs Senior Center is still in the planning phase.

Long-term Debt

At year-end, the Commission had $23.72 million in bonds outstanding—an increase of $.50 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
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	**2013**	**2012**	**2013**	**2012**	**2013**	**2012-2013**
General Obligation Warrants	$23.22	$23.72	$ -	$ -	$23.22	$23.72	2.15%
Capital Leases	.27	.32	2.43	1.97	2.70	2.29	(15.19%)
Compensated Absences	1.02	1.09	.02	.02	1.04	1.11	6.73%
Net OPEB Obligation	2.69	3.56	.12	.15	2.81	3.71	32.03%
Total	**$27.20**	**$28.69**	**$2.57**	**$2.14**	**$29.77**	**$30.83**	**3.56%**

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Morgan County Commission, 302 Lee Street N.E., Decatur, AL 35602.

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Basic Financial Statements

Statement of Net Position
September 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	$ 13,830,878.72	$ 2,009,005.91	$ 15,839,884.63
Receivables (Note 4)	2,049,276.52	233,089.22	2,282,365.74
Ad Valorem Taxes Receivable	13,893,559.00		13,893,559.00
Prepaid Items	1,008,564.55		1,008,564.55
Total Current Assets	30,782,278.79	2,242,095.13	33,024,373.92
Noncurrent Assets			
Restricted Cash	1,272,330.25		1,272,330.25
Restricted Cash with Fiscal Agent	276,177.59		276,177.59
Capital Assets (Note 5):			
Nondepreciable	4,263,789.42		4,263,789.42
Depreciable, Net	43,957,035.43	3,232,004.74	47,189,040.17
Total Noncurrent Assets	49,769,332.69	3,232,004.74	53,001,337.43
Total Assets	80,551,611.48	5,474,099.87	86,025,711.35
Liabilities			
Current Liabilities			
Payables (Note 9)	1,356,202.43	79,578.28	1,435,780.71
Deferred Revenue	15,044,581.37		15,044,581.37
Accrued Wages Payable	334,879.81	11,277.51	346,157.32
Accrued Interest Payable	292,122.65	37,621.33	329,743.98
Long-Term Liabilities:			
Amount Due Within One Year:			
Capital Leases Payable	58,204.16	473,085.85	531,290.01
Warrants Payable	1,205,000.00		1,205,000.00
Estimated Claims Costs Payable	137,620.07	6,230.09	143,850.16
Estimated Liability for Compensated Absences	304,649.91	5,610.47	310,260.38
Total Current Liabilities	18,733,260.40	613,403.53	19,346,663.93
Noncurrent Liabilities			
Amount Due After One Year:			
Capital Leases Payable	259,276.93	1,502,156.05	1,761,432.98
Warrants Payable	22,515,000.00		22,515,000.00
Estimated Liability for Compensated Absences	787,693.49	16,161.83	803,855.32
Other Postemployment Benefit Obligation	3,563,147.71	145,767.85	3,708,915.56
Total Noncurrent Liabilities	27,125,118.13	1,664,085.73	28,789,203.86
Total Liabilities	$ 45,858,378.53	$ 2,277,489.26	$ 48,135,867.79

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

	Governmental Activities	Business-Type Activities	Total
Net Position			
Net Investment in Capital Assets	$ 24,183,343.76	$ 1,256,762.84	$ 25,440,106.60
Restricted For:			
Debt Service	1,450,075.89		1,450,075.89
Law Enforcement	88,198.63		88,198.63
Highways and Roads	2,265,571.83		2,265,571.83
Capital Projects	1,912,311.46		1,912,311.46
Other Purposes	1,997,615.20		1,997,615.20
Unrestricted	2,796,116.18	1,939,847.77	4,735,963.95
Total Net Position	$ 34,693,232.95	$ 3,196,610.61	$ 37,889,843.56

Statement of Activities
For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	$ 9,262,596.56	$ 4,768,197.00	$ 212,413.36
Public Safety	16,551,458.68	3,371,794.11	1,954,107.99
Highways and Roads	7,191,464.70	215,030.29	3,927,184.18
Sanitation	234,427.21	201,952.14	
Health	452,723.59	76,600.00	7,545.72
Welfare	1,969,776.35	328,872.77	634,636.92
Culture and Recreation	1,301,500.19	178,641.55	1,969.00
Education	52,063.00		
Intergovernmental	439,281.07		
Interest and Fiscal Charges	2,055,154.06		
Total Governmental Activities	39,510,445.41	9,141,087.86	6,737,857.17
Business-Type Activities:			
Environmental Services	2,346,346.95	2,810,669.79	
Total Business-Type Activities	2,346,346.95	2,810,669.79	
Total Primary Government	$ 41,856,792.36	$ 11,951,757.65	$ 6,737,857.17

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

Sale of Scrap Equipment

Insurance Recovery

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
$ 1,343,047.76	$ (2,938,938.44)	$	$ (2,938,938.44)
	(11,225,556.58)		(11,225,556.58)
191,831.54	(2,857,418.69)		(2,857,418.69)
	(32,475.07)		(32,475.07)
	(368,577.87)		(368,577.87)
183,363.20	(822,903.46)		(822,903.46)
40,150.00	(1,080,739.64)		(1,080,739.64)
	(52,063.00)		(52,063.00)
	(439,281.07)		(439,281.07)
	(2,055,154.06)		(2,055,154.06)
1,758,392.50	(21,873,107.88)		(21,873,107.88)
		464,322.84	464,322.84
		464,322.84	464,322.84
$ 1,758,392.50	(21,873,107.88)	464,322.84	(21,408,785.04)
	9,310,131.00		9,310,131.00
	6,218,432.35		6,218,432.35
	2,866,843.29		2,866,843.29
	548,482.81		548,482.81
	488,068.85		488,068.85
	59,448.12	5,019.87	64,467.99
	405,759.56		405,759.56
		1,491.85	1,491.85
	61,227.69		61,227.69
	19,958,393.67	6,511.72	19,964,905.39
	(1,914,714.21)	470,834.56	(1,443,879.65)
	36,607,947.16	2,725,776.05	39,333,723.21
	$ 34,693,232.95	$ 3,196,610.61	$ 37,889,843.56

Balance Sheet
Governmental Funds
September 30, 2013

	General Fund	Gasoline Tax Fund
Assets		
Cash	$ 6,466,784.71	$ 1,400,559.70
Cash With Fiscal Agent		
Receivables (Note 4)	1,079,549.35	326,961.94
Ad Valorem Taxes Receivable	12,664,733.00	
Due From Other Funds	221,004.79	
Advances To Other Funds	60,000.00	
Prepaid Items	12,071.52	
Total Assets	20,504,143.37	1,727,521.64
Liabilities and Fund Balance		
Liabilities		
Payables (Note 9)	506,970.62	283,913.80
Deferred Revenue	13,600,414.37	
Due To Other Funds	235,374.21	
Accrued Wages Payable	234,991.85	55,044.31
Advances From Other Funds		
Estimated Claims Cost Payable	101,563.95	20,685.31
Total Liabilities	14,679,315.00	359,643.42
Fund Balances		
Nonspendable:		
Advances to Other Funds	60,000.00	
Prepaid Items	12,071.52	
Restricted For:		
Debt Service		
Law Enforcement		
Highways and Roads		
Capital Projects		
Other Purposes		
Assigned To:		
Industrial Development	59,790.62	
Highways and Roads		1,367,878.22
Other Purposes		
Unassigned	5,692,966.23	
Total Fund Balances	5,824,828.37	1,367,878.22
Total Liabilities and Fund Balances	$ 20,504,143.37	$ 1,727,521.64

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

Other Governmental Funds	Total Governmental Funds
$ 7,235,864.56	$ 15,103,208.97
276,177.59	276,177.59
642,765.23	2,049,276.52
1,228,826.00	13,893,559.00
235,374.21	456,379.00
	60,000.00
996,493.03	1,008,564.55
10,615,500.62	32,847,165.63
565,318.01	1,356,202.43
1,444,167.00	15,044,581.37
221,004.79	456,379.00
44,843.65	334,879.81
60,000.00	60,000.00
15,370.81	137,620.07
2,350,704.26	17,389,662.68
	60,000.00
996,493.03	1,008,564.55
1,742,198.54	1,742,198.54
88,198.63	88,198.63
1,342,742.63	1,342,742.63
1,912,311.46	1,912,311.46
1,925,114.28	1,925,114.28
	59,790.62
	1,367,878.22
257,737.79	257,737.79
	5,692,966.23
8,264,796.36	15,457,502.95
$ 10,615,500.62	$ 32,847,165.63

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

Total Fund Balances - Governmental Funds (Exhibit 3)			$ 15,457,502.95
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets were added as net capital assets in the following amount:			48,220,824.85
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	$ 1,205,000.00	$ 22,515,000.00	
Capital Leases Payable	58,204.16	259,276.93	
Compensated Absences	304,649.91	787,693.49	
Other Postemployment Benefit Obligation		3,563,147.71	
Total Long-Term Liabilities	$ 1,567,854.07	$ 27,125,118.13	(28,692,972.20)
Accrued interest payable is not available soon enough to pay for the current period's expenditures, and therefore is not shown in the funds			(292,122.65)
Total Net Position - Governmental Activities (Exhibit 1)			$ 34,693,232.95

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	General Fund	Gasoline Tax Fund
Revenues		
Taxes	$ 17,529,147.11	$
Licenses and Permits	206,429.68	
Intergovernmental	1,418,773.86	2,031,542.47
Charges for Services	5,106,209.85	
Miscellaneous	363,396.53	36,848.28
Total Revenues	24,623,957.03	2,068,390.75
Expenditures		
Current:		
General Government	6,732,901.45	
Public Safety	10,859,532.90	
Highways and Roads	55,490.37	4,594,740.97
Sanitation	193,983.56	
Health	419,497.85	
Welfare	424,844.88	
Culture and Recreation	916,104.27	
Education	52,063.00	
Intergovernmental		
Capital Outlay	672,182.69	82,532.50
Debt Service:		
Principal	27,975.88	36,893.33
Interest and Fiscal Charges	13,236.35	1,107.31
Bond Issuance Costs		
Total Expenditures	20,367,813.20	4,715,274.11
Excess (Deficiency) of Revenues Over/(Under) Expenditures	4,256,143.83	(2,646,883.36)
Other Financing Sources (Uses)		
Transfers In	39,277.33	2,421,800.00
Sale of Capital Assets		15,000.00
Proceeds from Issuance of Long-Term Debt	115,318.00	
Payments to Escrow Agent		
Bond Discount		
Transfers Out	(4,269,151.69)	
Total Other Financing Sources/Uses	(4,114,556.36)	2,436,800.00
Net Change in Fund Balances	141,587.47	(210,083.36)
Fund Balances - Beginning of Year	5,683,240.90	1,577,961.58
Fund Balances - End of Year	$ 5,824,828.37	$ 1,367,878.22

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

Other Governmental Funds	Total Governmental Funds
$ 1,414,742.34	$ 18,943,889.45
2,618.00	209,047.68
5,886,303.40	9,336,619.73
3,427,677.92	8,533,887.77
172,041.76	572,286.57
10,903,383.42	37,595,731.20
1,495,015.36	8,227,916.81
4,479,547.16	15,339,080.06
1,563,155.37	6,213,386.71
	193,983.56
	419,497.85
1,232,175.80	1,657,020.68
247,796.66	1,163,900.93
	52,063.00
439,281.07	439,281.07
1,694,528.21	2,449,243.40
1,080,000.00	1,144,869.21
240,274.68	254,618.34
199,020.12	199,020.12
12,670,794.43	37,753,881.74
(1,767,411.01)	(158,150.54)
1,847,351.69	4,308,429.02
93,264.00	108,264.00
12,165,000.00	12,280,318.00
(11,802,920.05)	(11,802,920.05)
(154,071.75)	(154,071.75)
(39,277.33)	(4,308,429.02)
2,109,346.56	431,590.20
341,935.55	273,439.66
7,922,860.81	15,184,063.29
$ 8,264,796.36	$ 15,457,502.95

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2013

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)	$	273,439.66
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 ($2,449,243.40) exceeds depreciation expense ($2,343,492.37) in the current period.		105,751.03
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 position differs from the change in fund balance by the cost of the capital assets sold.		(183,580.89)
Repayment of bond principal and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		1,144,869.21
Discounts on debt issuance are reported as other financing uses in the governmental funds, but are expensed in the Statement of Activities.		154,071.75
Issuance costs on debt issuance are recorded as expenditures in the governmental funds, but are deferred and amortized in the Statement of Activities.		199,020.12
Payments to refunding escrow agent are recorded as other financing uses in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.		11,802,920.05
Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.		(12,280,318.00)

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

Some items reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. These items consist of:		
Amortization of Issuance Costs	$ (419,382.57)	
Amortization of Discounts	(154,071.75)	
Amortization of Premiums	73,028.01	
Amortization of Deferred Loss	(1,469,417.37)	
Net Changes in Compensated Absences	(74,053.23)	
Net Increase in Other Postemployment Benefit Obligation	(869,098.52)	(2,912,995.43)
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.		(217,891.71)
Change in Net Position of Governmental Activities (Exhibit 2)		$ (1,914,714.21)

Statement of Net Position
Proprietary Fund
September 30, 2013

	Enterprise Fund Environmental Services Fund
Assets	
Current Assets	
Cash and Cash Equivalents	$ 2,009,005.91
Receivables (Note 4)	233,089.22
Total Current Assets	2,242,095.13
Noncurrent Assets	
Capital Assets, Net	3,232,004.74
Total Noncurrent Assets	3,232,004.74
Total Assets	5,474,099.87
Liabilities	
Current Liabilities	
Payables (Note 9)	79,578.28
Accrued Wages Payable	11,277.51
Accrued Interest Payable	37,621.33
Estimated Claims Costs Liability	6,230.09
Capital Leases Payable	473,085.85
Estimated Liability for Compensated Absences	5,610.47
Total Current Liabilities	613,403.53
Noncurrent Liabilities	
Capital Lease Payable	1,502,156.05
Estimated Liability for Compensated Absences	16,161.83
Other Postemployment Benefit Obligation	145,767.85
Total Noncurrent Liabilities	1,664,085.73
Total Liabilities	2,277,489.26
Net Position	
Net Investment in Capital Assets	1,256,762.84
Unrestricted	1,939,847.77
Total Net Position	$ 3,196,610.61

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

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2013

	Enterprise Fund Environmental Services Fund
Operating Revenues	
Charges for Services	$ 2,810,669.79
Total Operating Revenues	2,810,669.79
Operating Expenses	
Salaries and Benefits	692,229.05
Contractual and Professional Services	259,340.53
Materials and Supplies	366,361.25
Repairs and Maintenance	161,220.71
Rentals	4,990.80
Utilities	15,023.02
Insurance	13,910.13
Depreciation	262,715.69
Landfill Expenses	463,778.45
Miscellaneous	45,507.89
Total Operating Expenses	2,285,077.52
Operating Income (Loss)	525,592.27
Nonoperating Revenues (Expenses)	
Interest Revenue	5,019.87
Interest Expense	(61,269.43)
Sale of Scrap Equipment	1,491.85
Total Nonoperating Revenue (Expenses)	(54,757.71)
Change in Net Position	470,834.56
Total Net Position - Beginning of Year	2,725,776.05
Total Net Position - End of Year	$ 3,196,610.61

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, 2013

	Enterprise Fund Environmental Services Fund
Cash Flows from Operating Activities	
Receipts from Customers	$ 2,793,283.74
Payments to Suppliers	(1,327,429.27)
Payments to Employees	(618,883.26)
Net Cash Provided by Operating Activities	846,971.21
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(189,930.05)
Sale of Capital Assets	1,491.85
Payments on Capital Debt	(459,349.10)
Interest Paid on Capital Debt	(70,365.90)
Net Cash Provided by Capital and Related Financing Activities	(718,153.20)
Cash Flows from Investing Activities	
Interest and Dividends	5,019.87
Net Cash Provided by Investing Activities	5,019.87
Net Increase (Decrease) in Cash and Cash Equivalents	133,837.88
Cash and Cash Equivalents - Beginning of Year	1,875,168.03
Cash and Cash Equivalents - End of Year	2,009,005.91
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	525,592.27
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	262,715.69
Change in Assets and Liabilities:	
Receivables	(17,386.05)
Prepaid Expenses	44,117.06
Payables	2,703.51
Accrued Wages Payable	3,186.10
Estimated Claims Costs Liability	1,632.17
Estimated Liability for Compensated Absences	2,069.83
Net Other Postemployment Benefit Obligations	22,340.63
Net Cash Provided by Operating Activities	$ 846,971.21

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

Statement of Fiduciary Net Position
September 30, 2013

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash	$ 736,239.43	$ 2,808,187.95
Receivables (Note 4)	24,455.91	1,734,668.81
Total Assets	760,695.34	4,542,856.76
Liabilities		
Payables (Note 9)	72,404.63	4,542,856.76
Total Liabilities	72,404.63	$ 4,542,856.76
Net Position		
Held in Trust for Other Purposes	688,290.71	
Total Net Position	$ 688,290.71	

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

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

	Private-Purpose Trust Funds
Additions	
Local Taxes and Fees	$ 230,905.09
Interest Earned	72.66
Miscellaneous	184,745.28
Total Additions	415,723.03
Deductions	
Administrative Expenses	281,763.79
Total Deductions	281,763.79
Change in Net Position	133,959.24
Net Position - Beginning of Year	554,331.47
Net Position - End of Year	$ 688,290.71

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

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Morgan County Commission is a general purpose local government governed by separately elected commissioners. Generally Accepted Accounting Principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. 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 position and the statement of activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. 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.

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.

- ***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 governmental fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ***Special Revenue Funds*** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- ***Debt Service Funds*** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.

- ***Capital Projects Funds*** – These funds are used to account for and report 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.

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.

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

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

1. Deposits and Investments

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

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, as well as amounts due from the State for taxes and cost-sharing.

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.

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 position. Warrant premiums and discounts 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.

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.

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 9 workdays per fiscal year. Sick leave benefits are accrued by all non-probationary permanent full-time employees at a rate of 2.77 hours per pay period and credited each pay period. 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.

8. Net Position/Fund Equity

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

- ***Net Investment in Capital Assets*** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.

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

- ***Unrestricted*** – is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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.

- ***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, assigned fund balance, and lastly, unassigned 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.

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 Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Note 4 – Receivables

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

Governmental Funds	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Receivables:				
Accounts Receivable	$ 570,964.50	$ 36,689.00	$ 54,077.53	$ 661,731.03
Intergovernmental	136,661.53	289,941.14	585,740.61	1,012,343.28
Other Receivables	371,923.32	331.80	2,947.09	375,202.21
Total Receivables	$1,079,549.35	$326,961.94	$642,765.23	$2,049,276.52

Proprietary Fund	Environmental Services Fund
Receivables:	
Accounts Receivable	$233,089.22
Total Receivables	$233,089.22

Fiduciary Funds	Private-Purpose Trust Funds	Agency Funds
Receivables:		
Intergovernmental	$24,455.91	$1,734,668.81
Total Receivables	$24,455.91	$1,734,668.81

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2013, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Real Property Ad Valorem Taxes	$13,893,559.00	$ 209,544.71
Motor Vehicle Ad Valorem Taxes		935,681.37
Grant Drawdowns Prior to Meeting All Eligibility Requirements		5,796.29
Total Deferred/Unearned Revenue for Governmental Funds	$13,893,559.00	$1,151,022.37

Note 5 – Capital Assets

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

	Balance October 1, 2012	Additions/ Reclassifications	Deletions/ Reclassifications	Balance September 30, 2013
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 3,049,299.61	$ 5,000.00	$	$ 3,054,299.61
Infrastructure in Progress		467,826.89		467,826.89
Construction in Progress	92,667.88	648,995.04		741,662.92
Total Capital Assets, Not Being Depreciated	3,141,967.49	1,121,821.93		4,263,789.42
Capital Assets Being Depreciated:				
Infrastructure	17,879,011.59	652,320.32		18,531,331.91
Buildings	36,237,506.62	49,190.00	(14,858.22)	36,271,838.40
Improvements Other Than Buildings	2,955,301.96	28,876.00		2,984,177.96
Equipment and Furniture	15,164,204.21	481,717.15	(452,421.66)	15,193,499.70
Assets under Capital Lease	664,830.29	115,318.00		780,148.29
Total Capital Assets Being Depreciated	72,900,854.67	1,327,421.47	(467,279.88)	73,760,996.26
Less Accumulated Depreciation for:				
Infrastructure	(4,317,690.86)	(381,447.87)		(4,699,138.73)
Buildings	(10,852,096.56)	(898,459.62)	8,357.79	(11,742,198.39)
Improvements Other Than Buildings	(1,267,634.91)	(124,932.72)		(1,392,567.63)
Equipment and Furniture	(11,077,738.74)	(866,403.14)	275,341.20	(11,668,800.68)
Assets under Capital Lease	(229,006.38)	(72,249.02)		(301,255.40)
Total Accumulated Depreciation	(27,744,167.45)	(2,343,492.37)	283,698.99	(29,803,960.83)
Total Capital Assets Being Depreciated, Net	45,156,687.22	(1,016,070.90)	(183,580.89)	43,957,035.43
Total Governmental Activities Capital Assets, Net	$ 48,298,654.71	$ 105,751.03	$(183,580.89)	$ 48,220,824.85

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
Business-Type Activities:				
Capital Assets Being Depreciated:				
Buildings	$ 1,584,936.71	$	$	$ 1,584,936.71
Improvements Other Than Buildings	10,214.30			10,214.30
Equipment and Furniture	1,188,885.89	189,930.05		1,378,815.94
Equipment Under Capital Lease	1,590,728.00			1,590,728.00
Total Capital Assets Being Depreciated	4,374,764.90	189,930.05		4,564,694.95
Less Accumulated Depreciation for:				
Buildings	(85,728.43)	(40,349.85)		(126,078.28)
Improvements Other Than Buildings	(8,469.44)	(510.72)		(8,980.16)
Equipment and Furniture	(896,240.23)	(62,782.32)		(959,022.55)
Equipment Under Capital Lease	(79,536.42)	(159,072.80)		(238,609.22)
Total Accumulated Depreciation	(1,069,974.52)	(262,715.69)		(1,332,690.21)
Total Capital Assets Being Depreciated, Net	3,304,790.38	(72,785.64)		3,232,004.74
Total Business-Type Activities Capital Assets, Net	$ 3,304,790.38	$ (72,785.64)	$	$ 3,232,004.74

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 383,090.55
Public Safety	735,907.91
Highways and Roads	817,232.31
Sanitation	29,707.25
Health	27,462.35
Welfare	247,767.06
Culture and Recreation	102,324.94
Total Governmental Activities	$2,343,492.37

	Current Year Depreciation Expense
Business-Type Activities:	
Sanitation	$262,715.69
Total Business-Type Activities	$262,715.69

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. There are two member tiers. Any member who had service for which they received credit prior to January 1, 2013 is considered a Tier 1 member. Any member who had service for which they received credit on or after January 1, 2013 and no prior eligible service is considered a Tier 2 member. Both Tier 1 member and Tier 2 member benefits vest after 10 years of creditable service. Tier 1 vested employees may retire with full benefits at age 60 or after 25 years of service. Tier 2 vested employees may retire with full benefits at age 62 (age 56 for certified correctional and law enforcement officers). 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. Tier 1 member retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Tier 2 member retirees are allowed 1.65% of their average final salary (best five of the last ten years) for each year of service; however, the retirement benefit cannot exceed 80% of the average final salary. Retirees may also elect to receive a reduced retirement allowance (Special Privileges at Retirement) in order to provide an allowance to a designated beneficiary after the member's death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

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 if they were hired prior to January 1, 2013 (Tier 1 Employees) and 6 percent of their salary if they were hired on or after January 1, 2013 (Tier 2 Employees). 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 if they are a Tier 1 employee and as of January 1, 2013, 7 percent of their salary if they are a Tier 2 employee. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2013 was 7.70 percent for Tier 1 employees and 5.40 percent for Tier 2 employees. These contribution rates are based on the actuarial valuation performed as of September 30, 2010.

C. Annual Pension Cost

For the year ended September 30, 2013, the Commission's annual pension cost of $1,000,530.91 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2012, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2012 was 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
09/30/2013	$1,000,531	100%	$0
09/30/2012	$ 927,666	100%	$0
09/30/2011	$1,080,875	100%	$0

D. Funded Status and Funding Progress

As of September 30, 2012, the most recent actuarial valuation date, the plan was 74.2 percent funded. The actuarial accrued liability for benefits was $35,194,614 and the actuarial value of assets was $26,125,458, resulting in an unfunded actuarial accrued liability (UAAL) of $9,069,156. The covered payroll (annual payroll of active employees covered by the plan) was $11,783,848, and the ratio of the UAAL to the covered payroll was 77 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, 2013. 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 75% of the cost of current-year premiums for eligible retiree's medical insurance premiums for family coverage and 57% for single coverage. The Commission determines its contribution amounts annually during the budget hearings. For fiscal year 2013, the Commission contributed $125,794.85 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 2013, total retired member contributions were $73,601.00.

C. Annual OPEB Cost

For fiscal year 2013, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, dental, and prescription drug insurance was $1,017,234. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2013	$1,017,234	12.37%	$3,708,916
9/30/2012	$ 899,978	19.34%	$2,817,476
9/30/2011	$ 899,978	10.89%	$2,091,555

D. Funded Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	$8,749,512
Actuarial Value of Plan Assets	$0.00
Unfunded Actuarial Accrued Liability (UAAL)	$8,749,512
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	$13,316,587
UAAL as a Percentage of Covered Payroll	65.70%

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

E. Actuarial Methods and Assumptions

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

The actuarial cost method used was the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included a four percent investment rate of return assumption and an annual healthcare cost trend rate of 11.0% initially, reduced by decrements to an ultimate rate of 5.0% after 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
Morgan County Jail Annex	$9,612,993
West Park Addition	$ 386,245
Brindlee Mountain Concession	$ 53,255
ARRA Sidewalk Project	$ 86,246
Somerville Senior Center	$ 201,216
Union Hill Senior Center	$ 532,515
District 3 Shop	$ 36,000
Lacey Springs Senior Center	$ 249,052

Note 9 – Payables

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

	Accounts Payable	Due to Other Governments	Withholdings and Benefits	Total
Governmental Funds:				
General Fund	$ 490,761.49	$ 16,209.13	$	$ 506,970.62
Gasoline Tax Fund	263,913.80	20,000.00		283,913.80
Other Governmental Funds	565,318.01			565,318.01
Total Governmental Funds	1,319,993.30	36,209.13		1,356,202.43
Business-Type Activities:				
Environmental Services Fund	79,578.28			79,578.28
Total Business-Type Activities	79,578.28			79,578.28
Fiduciary Funds:				
Private-Purpose Trust	71,253.12	1,151.51		72,404.63
Agency	1,982,746.75	2,335,821.87	224,288.14	4,542,856.76
Total Fiduciary Funds	$2,053,999.87	$2,336,973.38	$224,288.14	$4,615,261.39

Note 10 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $780,148.29 for governmental activities at September 30, 2013. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2014	$ 72,397.24
2015	59,730.36
2016	59,730.36
2017	59,730.36
2018	53,557.65
2019-2021	64,239.12
Total Minimum Lease Payments	369,385.09
Less: Amount Representing Interest	(51,904.00)
Present Value of Net Minimum Lease Payments	$317,481.09

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $1,590,728.00 for business-type activities at September 30, 2013. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Business-Type Activities
September 30, 2014	$ 529,715.15
2015	529,715.32
2016	529,715.00
2017	529,715.00
Total Minimum Lease Payments	2,118,860.47
Less: Amount Representing Interest	(143,618.57)
Present Value of Net Minimum Lease Payments	$1,975,241.90

Note 11 – Long-Term Debt

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.

In June 2012, General Obligation Warrants were issued with variable interest rates of 2.0 percent to 2.5 percent to refund the Outstanding Series 2003 General Obligation Warrants.

In March 2013, General Obligation Warrants were issued with variable interest rates of 0.6 percent to 2.6 percent to refund on a current basis the Outstanding Series 2004 General Obligation Warrants.

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

	Debt Outstanding 10/01/2012	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2013	Amounts Due Within One Year
Governmental Activities					
Warrants Payable:					
General Obligation Series 2003	$ 100,000.00	$	$ (100,000.00)	$	$
General Obligation Series 2004	11,000,000.00		(11,000,000.00)		
General Obligation Series 2010	2,540,000.00		(285,000.00)	2,255,000.00	295,000.00
General Obligation Series 2012	9,995,000.00		(695,000.00)	9,300,000.00	755,000.00
General Obligation Series 2013A		9,900,000.00		9,900,000.00	135,000.00
General Obligation Series 2013B		2,265,000.00		2,265,000.00	20,000.00
Total Warrants Payable	23,635,000.00	12,165,000.00	(12,080,000.00)	23,720,000.00	1,205,000.00
Add: Warrant Premium Series 2004	30,378.58		(30,378.58)		
Add: Warrant Premium Series 2010	14,878.73		(14,878.73)		
Add: Warrant Premium Series 2012	58,149.28		(58,149.28)		
Less: Deferred Loss on Refunding	(514,005.89)		514,005.89		
Warrants Payable, Net	23,224,400.70	12,165,000.00	(11,669,400.70)	23,720,000.00	1,205,000.00
Capital Leases Payable	267,032.30	115,318.00	(64,869.21)	317,481.09	58,204.16
Estimated Liability for Compensated Absences	1,018,290.17	74,053.23		1,092,343.40	304,649.91
Net Other Postemployment Benefits Obligation	2,694,049.19	869,098.52		3,563,147.71	
Total Governmental Activities Long-Term Liabilities	27,203,772.36	13,223,469.75	(11,734,269.91)	28,692,972.20	1,567,854.07
Business-Type Activities					
Capital Leases Payable	2,434,591.00		(459,349.10)	1,975,241.90	473,085.85
Estimated Liability for Compensated Absences	19,702.47	2,069.83		21,772.30	5,610.47
Net Other Postemployment Benefits Obligation	123,427.22	22,340.63		145,767.85	
Total Business-Type Activities Long-Term Liabilities	$ 2,577,720.69	$ 24,410.46	$ (459,349.10)	$ 2,142,782.05	$ 478,696.32

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 by the Gasoline Tax Fund and by General Fund.

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

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

	Governmental Activities			
	Series 2010 General Obligation Warrants		Series 2012 General Obligation Warrants	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2014	$ 295,000.00	$ 63,035.00	$ 755,000.00	$ 199,887.50
2015	305,000.00	54,035.00	770,000.00	184,787.50
2016	315,000.00	45,523.00	790,000.00	169,387.50
2017	320,000.00	36,785.00	800,000.00	153,587.50
2018	330,000.00	27,035.00	815,000.00	137,587.50
2019-2023	690,000.00	22,418.00	5,370,000.00	405,425.00
2024-2028				
2029-2029				
Total	$2,255,000.00	$248,831.00	$9,300,000.00	$1,250,662.50

	Business-Type Activities Capital Leases Contracts Payable		Total Principal and Interest Requirements
Fiscal Year Ending	Principal	Interest	To Maturity
September 30, 2014	$ 473,085.85	$ 56,629.30	$ 529,715.15
2015	486,648.97	43,066.35	529,715.32
2016	500,600.95	29,114.05	529,715.00
2017	514,906.13	14,808.87	529,715.00
Total	$1,975,241.90	$143,618.57	$2,118,860.47

Bond Issuance Costs, Deferred Charges on Refunding, Discounts and Premiums

The Commission had bond issuance costs, deferred charges, premiums and discounts in connection with the issuance of its 2010, 2012 and 2013 General Obligation Warrants. The issuance costs and bond premiums were being amortized using the straight-line method over the remaining life of the Warrants. Deferred amounts on refunded debt were being amortized using the straight-line method over the remaining life of the debt.

	Issuance Costs	Deferred Loss on Refunding	Discount	Premium
Total Issuance Costs, Deferred Loss on Refunding, and Discount/Premium	$ 712,192.91	$1,491,302.72	$ 154,071.25	$124,196.75
Amount Amortized Prior Years	(109,940.33)	(21,885.35)		(20,790.16)
Amount Refunded	(182,870.01)			(30,378.58)
Balance Issuance Costs, Deferred Loss on Refunding, and Discount/Premium	419,382.57	1,469,417.37	154,071.25	73,028.01
Current Amount Amortized	(419,382.57)	(1,469,417.37)	(154,071.25)	(73,028.01)
Balance Issuance Costs, Deferred Loss on Refunding, and Discount/Premium	$	$	$	$

Governmental Activities						
Series 2013A General Obligation Warrants		Series 2013B General Obligation Warrants		Capital Leases Contracts Payable		Total Principal and Interest Requirements
Principal	Interest			Principal	Interest	
$ 135,000.00	$ 248,679.17	$ 20,000.00	$ 74,420.94	$ 58,204.16	$14,193.08	$ 1,863,419.85
150,000.00	228,740.00	25,000.00	68,326.26	47,745.19	11,985.17	1,845,619.12
155,000.00	227,540.00	30,000.00	67,863.76	49,976.21	9,754.15	1,860,044.62
155,000.00	225,990.00	30,000.00	67,308.76	52,325.69	7,404.67	1,848,401.62
155,000.00	224,440.00	30,000.00	66,753.76	48,613.47	4,944.18	1,839,373.91
820,000.00	1,085,457.50	640,000.00	305,555.04	60,616.37	3,622.75	9,403,094.66
6,610,000.00	797,445.00	1,490,000.00	48,425.00			8,945,870.00
1,720,000.00	45,580.00					1,765,580.00
$9,900,000.00	$3,083,871.67	$2,265,000.00	$698,653.52	$317,481.09	$51,904.00	$29,371,403.78

Defeased Debt

In March 1, 2013, the Commission issued $12,165,000.00 in General Obligation Warrants with a variable interest rate of 0.6 percent to 3.25 percent to advance refund $11,000,000.00 of outstanding 2004 Series Warrants with a variable interest rate of 4.4 to 5 percent. The net proceeds of $11,802,920.05 (after payment of $208,008.20 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2004 Series Warrants. As a result, the 2004 Series Warrants are considered to be defeased and the liability for those warrants has been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $955,411.48. This difference is being netted against the new debt and amortized over the remaining life of the new debt which is equal to the old debt. As a result of the advanced refunding, the Commission reduced its total debt service requirements by $2,679,987.31 which resulted in an economic gain of $1,859,554.00.

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 $1,000,000.00 per claim for a maximum total coverage of $2,000,000.00.

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.

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
2010-2011	$268,328.18	$4,021,561.73	$4,163,253.21	$126,636.70
2011-2012	$126,636.70	$3,604,101.88	$3,629,112.00	$101,626.58
2012-2013	$101,626.58	$3,710,483.58	$3,668,260.00	$143,850.16

Note 13 – Interfund Transactions

Interfund Receivables/Payables

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

	Interfund Receivables		
	General Fund	Other Governmental Funds	Totals
Interfund Payables			
General Fund	$	$235,374.21	$235,374.21
Other Governmental Funds	221,004.79		221,004.79
Totals	$221,004.79	$235,374.21	$456,379.00

Advances To/From Other Funds

	Advances From
	Other Governmental Funds
Advances To:	
General Fund	$60,000.00
Total	$60,000.00

Interfund Transfers

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

	Operating Transfers Out		
	General Fund	Other Governmental Funds	Totals
Operating Transfers In:			
General Fund	$	$39,277.33	$ 39,277.33
Gasoline Tax Fund	2,421,800.00		2,421,800.00
Other Governmental Funds	1,847,351.69		1,847,351.69
Totals	$4,269,151.69	$39,277.33	$4,308,429.02

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

Note 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 the January 28, 2014 meeting, the Commission authorized the issuance of $8,605,000 in General Obligation Warrants, Series 2014. The purpose of the issuance is to fund public safety and public transportation projects. The warrants will bear interest at the rate of 1.75% to 4.00% with a final maturity date of April 1, 2033.

At the March 11, 2014 meeting, the Commission authorized approval of a Side Agreement by and among Morgan County, the Industrial Development Board of the City of Huntsville (IDB), Madison County, Alabama, Limestone County Alabama, the City of Athens, Alabama, and the Limestone County Economic Development Partners, Incorporated. Under the Side Agreement, Morgan County has agreed to make certain payments to the IDB over a period of five years and aggregating $1,000,000 in connection with certain payment obligations of the IDB being made to or for the benefit of Remington Outdoor Company, Incorporated.

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Required Supplementary Information

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 12,941,520.00	$ 12,941,520.00	$ 13,276,624.94
Licenses and Permits	193,600.00	193,600.00	206,379.68
Intergovernmental	873,166.00	909,231.15	1,030,743.28
Charges for Services	4,819,433.00	4,821,748.00	4,990,246.55
Miscellaneous	289,162.00	289,663.50	299,216.96
Total Revenues	19,116,881.00	19,155,762.65	19,803,211.41
Expenditures			
Current:			
General Government	6,143,804.00	6,279,451.28	6,133,230.63
Public Safety	10,731,589.00	11,029,506.10	10,801,535.90
Highways and Roads			
Sanitation			
Health	439,057.00	439,057.00	419,497.85
Welfare	146,289.00	157,071.00	145,203.76
Culture and Recreation	233,045.00	285,345.00	268,008.42
Education	45,000.00	45,000.00	45,000.00
Capital Outlay	182,000.00	192,000.00	96,811.05
Debt Service:			
Principal	10,000.00	10,000.00	
Interest	3,333.00	3,333.00	
Total Expenditures	17,934,117.00	18,440,763.38	17,909,287.61
Excess (Deficiency) of Revenues Over Expenditures	1,182,764.00	714,999.27	1,893,923.80
Other Financing Sources (Uses)			
Transfers In	1,144,350.00	1,144,350.00	(1,045,874.83)
Sale of Capital Assets	17,500.00	17,500.00	
Transfers Out	(2,878,834.00)	(2,642,253.16)	(395,050.53)
Other Financing Sources	21,000.00	21,000.00	
Total Other Financing Sources (Uses)	(1,695,984.00)	(1,459,403.16)	(1,440,925.36)
Net Change in Fund Balances	(513,220.00)	(744,403.89)	452,998.44
Fund Balances - Beginning of Year	1,770,159.14	1,770,159.14	1,770,159.14
Fund Balances - End of Year	$ 1,256,939.14	$ 1,025,755.25	$ 2,223,157.58

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 4,252,522.17	$ 17,529,147.11
(1)	50.00	206,429.68
(1)	388,030.58	1,418,773.86
(1)	115,963.30	5,106,209.85
(1)	64,179.57	363,396.53
	4,820,745.62	24,623,957.03
(2)	(599,670.82)	6,732,901.45
(2)	(57,997.00)	10,859,532.90
(2)	(55,490.37)	55,490.37
(2)	(193,983.56)	193,983.56
		419,497.85
(2)	(279,641.12)	424,844.88
(2)	(648,095.85)	916,104.27
(2)	(7,063.00)	52,063.00
(2)	(575,371.64)	672,182.69
(2)	(27,975.88)	27,975.88
(2)	(13,236.35)	13,236.35
	(2,458,525.59)	20,367,813.20
	2,362,220.03	4,256,143.83
(3)	1,085,152.16	39,277.33
(3)	(3,874,101.16)	(4,269,151.69)
(3)	115,318.00	115,318.00
	(2,673,631.00)	(4,114,556.36)
	(311,410.97)	141,587.47
(4)	3,913,081.76	5,683,240.90
	$ 3,601,670.79	$ 5,824,828.37

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

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

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

(1) Revenues		
Flood Insurance Permit Fund	$	61.77
Morgan County Park West Fund		25,963.44
Morgan County Park East Fund		78,731.33
Morgan County Park South Fund		21,547.22
Morgan County Park North Fund		37,768.87
Public Buildings, Roads and Bridges Fund		4,307,439.54
Jack Maddox Industrial Park Fund		105.26
Rural Morgan County Industrial Development Fund		778.29
Industrial Fund		66.81
Hurricane Relief Grant Fund		0.36
Commission on Aging Fund		97,412.49
Recycling Fund		205,173.64
Soil and Water Conservation Fund		45,696.60
(2) Expenditures		
Morgan County Park West Fund	$	209,789.35
Morgan County Park East Fund		249,991.41
Morgan County Park South Fund		131,436.67
Morgan County Park North Fund		197,603.59
Public Buildings, Roads and Bridges Fund		584,012.17
Rural Morgan County Industrial Development Fund		543,682.31
Commission on Aging Fund		293,133.46
Recycling Fund		204,783.56
Soil and Water Conservation Fund		44,093.07

$ 4,820,745.62

(2,458,525.59)

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

(3) Other Financing Sources/(Uses)		
Morgan County Park West Fund	$	127,095.00
Morgan County Park East Fund		253,691.00
Morgan County Park South Fund		114,331.00
Morgan County Park North Fund		145,564.16
Public Buildings, Roads and Bridges Fund		(3,874,101.16)
Public Buildings, Roads and Bridges Fund		115,318.00
Rural Morgan County Industrial Development Fund		223,671.00
Commission on Aging Fund		220,800.00
Net Decrease 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.

	(2,673,631.00)
$	(311,410.97)

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Intergovernmental	$ 1,826,610.00	$ 1,826,610.00	$ 1,888,736.06
Miscellaneous	18,126.00	18,126.00	36,562.53
Total Revenues	1,844,736.00	1,844,736.00	1,925,298.59
Expenditures			
Current:			
Highways and Roads	4,447,428.00	4,598,007.62	4,594,740.97
Capital Outlay	7,500.00	63,515.00	82,532.50
Debt Service:			
Principal Retirement	36,894.00	36,894.00	36,893.33
Interest and Fiscal Charges	1,107.00	1,107.00	1,107.31
Total Expenditures	4,492,929.00	4,699,523.62	4,715,274.11
Excess (Deficiency) of Revenues Over Expenditures	(2,648,193.00)	(2,854,787.62)	(2,789,975.52)
Other Financing Sources (Uses)			
Transfers In	2,560,850.00	2,560,850.00	2,560,850.00
Sale of Capital Assets			15,000.00
Total Other Financing Sources (Uses)	2,560,850.00	2,560,850.00	2,575,850.00
Net Change in Fund Balances			(214,125.52)
Fund Balances - Beginning of Year	1,562,655.28	1,562,655.28	1,562,655.28
Fund Balances - End of Year	$ 1,562,655.28	$ 1,562,655.28	$ 1,348,529.76

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 142,806.41	$ 2,031,542.47
(1)	285.75	36,848.28
	143,092.16	2,068,390.75
		4,594,740.97
		82,532.50
		36,893.33
		1,107.31
		4,715,274.11
	143,092.16	(2,646,883.36)
(2)	(139,050.00)	2,421,800.00
		15,000.00
	(139,050.00)	2,436,800.00
	4,042.16	(210,083.36)
(3)	15,306.30	1,577,961.58
	$ 19,348.46	$ 1,367,878.22

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

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

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

(1) Revenues		
Severed Minerals Tax Fund	$	143,092.16
(2) Other Financing Sources/(Uses)		
Severed Minerals Tax Fund	$	(139,050.00)
Net Increase 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.

$	143,092.16
	(139,050.00)
$	4,042.16

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

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) Entry Age (b)[1]	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2012[4]	$26,125,458	$35,194,614	$ 9,069,156	74.2%	$11,783,848	77.0%
9/30/2011[3]	$26,311,850	$36,460,866	$10,149,016	72.2%	$13,276,695	76.4%
9/30/2010[2]	$26,472,220	$36,280,210	$ 9,807,990	73.0%	$13,998,848	70.1%

[1]Reflects liability for cost of living benefit increases granted on and after October 1, 1978.
[2]Reflects the impact of Act Number 2011-27, Acts of Alabama, which closes the DROP program to new applicants after March 24, 2011.
[3]Reflects changes in actuarial assumptions.
[4]Reflects changes to interest smoothing methodology.

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/2011	$0	$8,749,512	$8,749,512	0.0%	$13,316,587	65.70%
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	51.03%

Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Housing and Urban Development		
Passed Through Alabama Department of Economic and Community Affairs		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CY CE PF 12 001
Total U. S. Department of Housing and Urban Development		
U. S. Department of the Interior		
Direct Program		
National Wildlife Refuge Fund	15.659	N/A
U. S. Department of Justice		
Passed Through Alabama Department of Economic and Community Affairs		
Juvenile Accountability Block Grants	16.523	12-JB-15-002
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-DJ-01-027
Total U. S. Department of Justice		
U. S. Department of Transportation		
Passed Through Alabama Department of Transportation		
Formula Grants for Rural Areas	20.509	Section 5311
ARRA-Formula Grants for Rural Areas, Recovery Act	20.509	Section 5311
Sub-Total Formula Grants for Rural Areas (M)		
Federal Transit Formula Grants	20.507	Section 5307
ARRA-Federal Transit Formula Grants, Recovery Act	20.507	Section 5307
Sub-Total Federal Transit Formula Grants (M)		
Passed Through North Alabama Highway Safety Office		
State and Community Highway Safety	20.600	13-SP-PT-003
Total U. S. Department of Transportation		
U. S. Department of Health and Human Services		
Passed Through North Alabama Regional Council of Governments		
Special Programs for the Aging, Title III, Part C - Nutrition Services	93.045	N/A
Total U. S. Department of Health and Human Services		
Executive Office of the President		
Passed Through the Alabama Department of Public Safety		
High Intensity Drug Trafficking Areas Program	95.001	N/A
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
09/12/2012-09/30/2013	$ 325,000.00	$ 250,000.00	$ 680.00	$ 680.00
	325,000.00	250,000.00	680.00	680.00
10/01/2012-09/30/2013	16,783.00	16,783.00	16,783.00	16,783.00
10/01/2012-09/30/2013	44,444.44	39,999.93	39,999.93	39,999.93
10/01/2012-09/30/2013	113,772.76	85,329.36	85,329.36	85,329.36
	158,217.20	125,329.29	125,329.29	125,329.29
10/01/2012-09/30/2013	256,392.20	256,392.20	256,392.20	256,392.20
10/01/2012-09/30/2013	131,027.00	131,027.00	131,027.00	131,027.00
	387,419.20	387,419.20	387,419.20	387,419.20
10/01/2012-09/30/2013	319,295.00	319,295.00	319,295.00	319,295.00
10/01/2012-09/30/2013	22,702.00	22,702.00	22,702.00	22,702.00
	341,997.00	341,997.00	341,997.00	341,997.00
11/12/2012-09/06/2013	32,065.15	32,065.15	32,065.15	32,065.15
	761,481.35	761,481.35	761,481.35	761,481.35
10/01/2012-09/30/2013	46,573.00	35,430.00	35,430.00	35,430.00
	46,573.00	35,430.00	35,430.00	35,430.00
10/01/2012-09/30/2013	10,290.70	10,290.70	10,290.70	10,290.70
	$ 1,318,345.25	$ 1,199,314.34	$ 949,994.34	$ 949,994.34

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. General Services Administration		
Passed Through Alabama Department of Economic and Community Affairs		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
U. S. Department of Homeland Security		
Passed Through Alabama Emergency Management Agency		
Hazard Mitigation Grant	97.039	DR-1971-425
Hazard Mitigation Grant	97.039	DR-1971-435
Hazard Mitigation Grant	97.039	DR-1971-503
Hazard Mitigation Grant	97.039	DR-1971-561
Hazard Mitigation Grant	97.039	DR-1971-584
Hazard Mitigation Grant	97.039	DR-1971-375
Hazard Mitigation Grant	97.039	DR-1971-667
Hazard Mitigation Grant	97.039	DR-1971-365
Hazard Mitigation Grant	97.039	DR-1971-370
Sub-Total Hazard Mitigation Grant		
Emergency Management Performance Grants	97.042	2EMS
Emergency Management Performance Grants	97.042	3EMF
Sub-Total Emergency Management Performance Grants (M)		
Passed Through Alabama Department of Homeland Security		
Homeland Security Grant Program	97.067	0CBS
Homeland Security Grant Program	97.067	0ICL
Homeland Security Grant Program	97.067	2FIL
Sub-Total Homeland Security Grant Program		
Interoperable Emergency Communications	97.055	0IET
Total U. S. Department of Homeland Security		
Other Federal Assistance		
Tennessee Valley Authority		
Passed Through State of Alabama Department of Emergency Management		
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 Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 1,318,345.25	$ 1,199,314.34	$ 949,994.34	$ 949,994.34
10/01/2012-09/30/2013			25,216.98	25,216.98
08/02/2012-08/01/2015	143,412.00	103,138.00	76,734.22	76,734.22
08/02/2012-08/01/2015	158,264.00	101,495.00	62,988.66	62,988.66
09/20/2012-09/19/2015	136,215.00	98,296.00	46,397.63	46,397.63
10/05/2012-10/04/2015	31,477.00	20,086.00	14,750.00	14,750.00
12/05/2012-12/04/2015	135,803.00	96,413.00	74,437.41	74,437.41
09/19/2012-09/18/2015	89,870.00	67,403.00	2,246.75	2,246.75
12/21/2012-12/20/2015	89,870.00	67,403.00	2,246.75	2,246.75
08/21/2012-08/20/2015	89,870.00	67,403.00	2,246.75	2,246.75
08/21/2012-08/20/2015	182,272.00	136,704.00	4,556.80	4,556.80
	1,057,053.00	758,341.00	286,604.97	286,604.97
10/01/2012-09/30/2013	12,000.00	12,000.00	12,000.00	12,000.00
10/01/2012-12/31/2013	61,926.00	61,926.00	61,926.00	61,926.00
	73,926.00	73,926.00	73,926.00	73,926.00
01/07/2013-02/28/2013	2,833.00	2,833.00	2,833.00	2,833.00
09/01/2012-11/30/2012	13,004.50	13,004.50	13,001.06	13,001.06
10/15/2012-10/15/2013	9,827.00	9,827.00	9,655.33	9,655.33
	25,664.50	25,664.50	25,489.39	25,489.39
01/01/2013-05/31/2013	18,000.00	13,500.00	13,500.00	13,500.00
	1,174,643.50	871,431.50	399,520.36	399,520.36
10/01/2012-09/30/2013	138,226.00	138,226.00	138,226.00	138,226.00
	$ 2,631,214.75	$ 2,208,971.84	$ 1,512,957.68	$ 1,512,957.68

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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.

Note 2 – Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
National Wildlife Refuge Fund	15.659	$10,286.35

Additional Information

Commission Members and Administrative Personnel

October 1, 2012 through September 30, 2013

Commission Members		**Term Expires**
Hon. Ray Long	Chairman	November 2016
Hon. Jeff Clark	Member	November 2014
Hon. Don Stisher	Member	November 2016
Hon. Greg Abercrombie	Member	November 2016
Hon. Randy Vest	Member	November 2014
Administrative Personnel		
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

Independent Auditor's Report

To: Members of the Morgan County Commission and County Administrator

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the Morgan County Commission's basic financial statements and have issued our report thereon dated January 9, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Montgomery, Alabama

January 9, 2015

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

Independent Auditor's Report

To: Members of the Morgan County Commission and County Administrator

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Morgan County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Morgan County Commission's compliance.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Morgan County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Morgan County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that are not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 that we consider to be a significant deficiency.

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

The Morgan County Commission's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Morgan County Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Montgomery, Alabama

January 9, 2015

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified?	_____ Yes	__X__ None reported
Noncompliance material to financial statements noted?	_____ Yes	__X__ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified?	__X__ Yes	_____ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	__X__ Yes	_____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.507	Federal Transit Formula Grants
20.509	Formula Grants to Rural Areas
97.042	Emergency Management Performance Grants

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

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2013-001	20.507	Federal Transit Formula Grants	**Finding:** The Federal Compliance Guidelines require all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. It further requires that the non-federal entities shall include in their construction contracts, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			Finding Continued: The Commission did not have controls in place to inform the contractor of the requirements listed above; therefore, no certified payrolls or compliance statements were completed. **Recommendation:** The Commission should implement controls to ensure that all contracts for which the Davis-Bacon Act applies contain the proper information and requirements for the contractor and subcontractors.	

Auditee Response/Corrective Action Plan

MORGAN COUNTY COMMISSION

OFFICE OF THE CHAIRMAN

RAY LONG

MRS. BELINDA G. EALEY
Chief Administrative Officer

MRS. JULIE REEVES
Deputy Chief Administrative Officer

BOARD MEMBERS
JEFF CLARK, First District
RANDY VEST, Second District
DON STISHER, Third District
GREG ABERCROMBIE, Fourth District

February 13, 2015

Chief Examiner, Ronald L. Jones
State of Alabama
Examiner of Public Accounts
Post Office Box 302251
Montgomery, AL 36130-2251

Dear Mr. Jones:

The Morgan County Commission submits the Corrective Action Plan for the Year Ended September 30, 2013 Audit of Funds. Should you need further information, please do not hesitate to contact our office.

Sincerely,

Ray Long
Chairman, Morgan County

Enclosure

Morgan County Courthouse ◆ 302 Lee Street, N.E. ◆ P. O. Box 668, Decatur, Alabama ◆ Telephone 256-351-4730 ◆ Fax 256-351-4738
Web Site: www.co.morgan.al.us

Corrective Action Plan

For the Year Ended September 30, 2013

As required by the Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section .315©, the Morgan County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2013.

Finding Ref No.	Corrective Action Plan Details
2013-001	**Finding:** The Federal Compliance Guidelines require all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. It further requires that the non-federal entities shall include in their construction contracts, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations. This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). The commission did have controls in place to inform the contractor of the requirements listed above; therefore, no certified payrolls or compliance statements were completed. **Response:** Morgan County relied on an independent outside project manager for compliance on this project which we failed to oversee in an efficient manner. We take full responsibility of the oversight of the failure to comply with the Davis-Bacon Act. The Commission Chairman has recommended to the Commission to update procedures to ensure any federally funded construction project requires all required language necessary to comply with procurement, applicable special conditions and requirements. Before distribution of specifications and bid packages the Commission Office will review and the County Attorney's Office will perform a final review for compliance issues. We are also requiring future project managers to verify receipt of certified payrolls and report to the Commission Office for verifications before progress payments are made to contractors and project managers. This action is to be implemented immediately.