

Report on the

Morgan County Commission

Morgan County, Alabama

October 1, 2013 through September 30, 2014

Filed: October 30, 2015



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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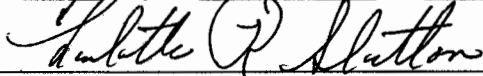
Ronald L. Jones
Chief Examiner

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

Dear Sir:

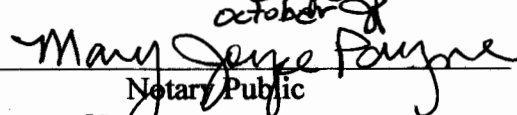
Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Morgan County Commission, Morgan County, Alabama, for the period October 1, 2013 through September 30, 2014.

Sworn to and subscribed before me this
the 27th day of September, 2015.



Notary Public **MY COMMISSION EXPIRES**
11-24-2018

Sworn to and subscribed before me this
the 6th day of October, 2015.



Notary Public
My Commission Expires 06-11-2019

rb

Respectfully submitted,



April S. Purser
Examiner of Public Accounts



William Helms
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Morgan County Commission
October 1, 2013 through September 30, 2014**

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, 2014.

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

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: 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 Member: Jeff Clark; and representatives of the Department of Examiners of Public Accounts: Randy O’Bannon, Audit Manager, April Purser, Examiner of Public Accounts, and William Helms, Examiner of Public Accounts.

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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, 2014, 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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, 2014, 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the fiscal year ended September 30, 2014, the Morgan County Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 65, **Items Previously Reported as Assets and Liabilities**. Our opinion is not modified with respect to this matter.

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) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual and 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

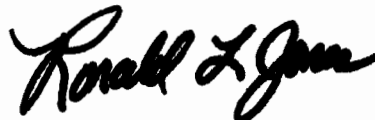
Supplementary Information

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 Organization**, 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 September 18, 2015, on our consideration of the Morgan County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

September 18, 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, 2014. Please read it in conjunction with the Commission's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

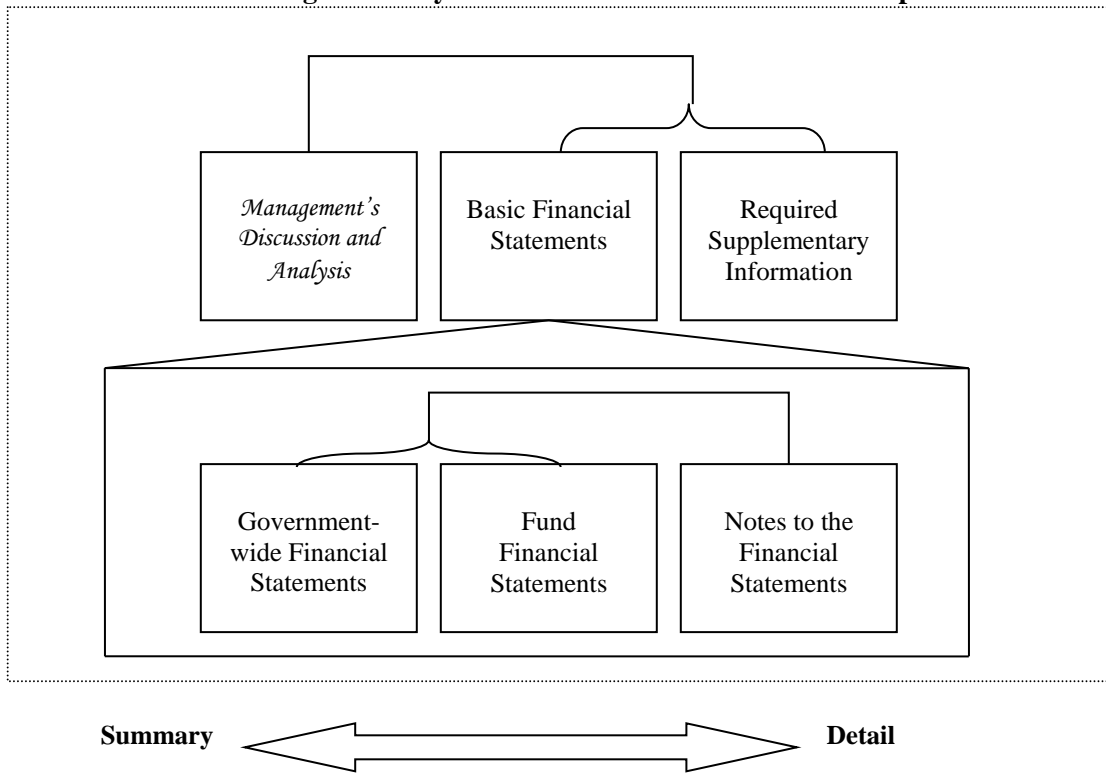
- The Commission's total net position increased by \$3,432,766 over the course of the year's operations. Net position of our business-type activities increased by \$457,477 (or approximately 14.31%), while the net position of our governmental activities increased by \$2,975,290 (or 8.58%).
- In the County's governmental activities, expenses decreased by \$2,138,925 or approximately 5.41%), while revenues increased by \$2,751,079 (or approximately 7.32%).
- In the County's business-type activities, operating expenses increased by 2.72%, while operating revenues increased by approximately 1.74%.
- The General Fund reserve increased by \$425,327. The Gasoline Tax Fund reserve decreased by \$716,458. Other Governmental Funds reserve increased by \$3,120,669.
- The Jail Addition Project qualified as a major fund and had an ending fund balance of \$4,569,718.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Commission's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Commission government, reporting the Commission's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the environmental services.
 - *Fiduciary fund* statements provide information about financial relationships, like the District Attorney and Worthless Check Funds, in which the Commission acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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



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

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

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

Fund Financial Statements				
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as public safety, highways and roads, and health	Activities the County operates similar to private businesses: Environmental Services	Instances in which the County is the trustee or agent for someone else’s resources, such as the District Attorney and Worthless Check Fund
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • 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/deferred inflows of resources information	All assets, liabilities and deferred inflows of resources, 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. Also included are deferred inflows of resources	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, liabilities and deferred inflows of resources. 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 its liabilities and deferred inflows of resources, 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

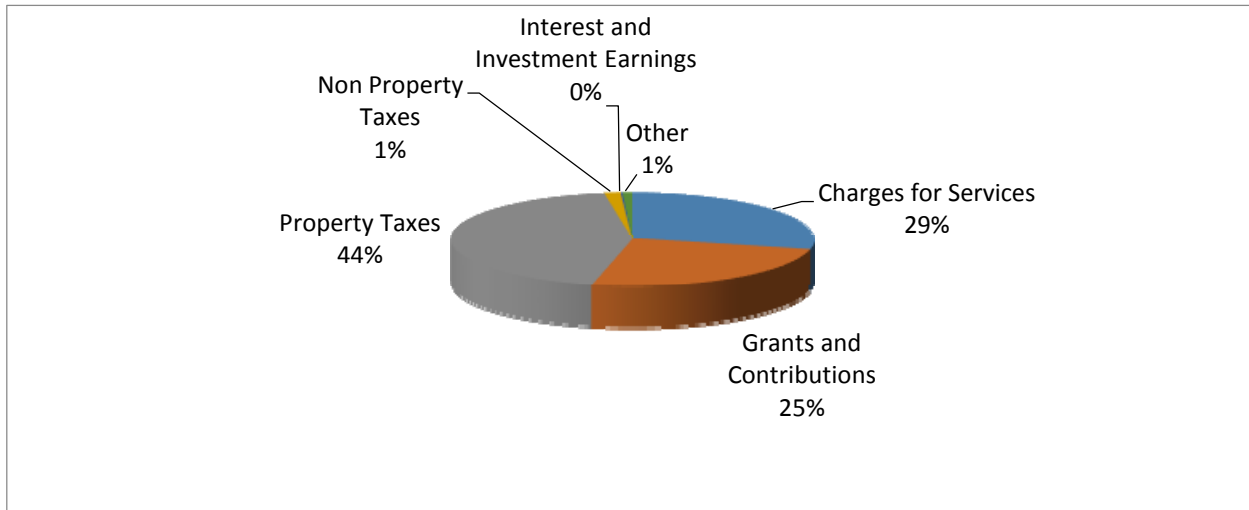
Net position. The Commission’s combined net position increased between fiscal years 2013 and 2014 by approximately \$3,432,766.47 to \$41.33 million. Net position for business-type activities increased 14.31% to approximately \$3.66 million and net position for governmental activities increased by 8.58% to approximately \$37.67 million.

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

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Current and other assets	\$32.33	\$39.40	\$2.24	\$2.16	\$34.57	\$41.56	20.22%
Capital Assets	48.22	52.15	3.23	3.31	51.45	55.46	7.79%
Total Assets	80.55	91.55	5.47	5.47	86.02	97.02	12.79%
Long-term debt outstanding	27.13	34.86	1.67	1.22	28.80	36.08	25.28%
Other Liabilities	18.73	3.96	.61	.59	19.34	4.55	(76.47)%
Total Liabilities	45.86	38.82	2.28	1.81	48.14	40.63	(15.60)%
Deferred Inflows of Resources		15.06				15.06	100.00%
Net position							
Net investment in capital assets	24.18	20.73	1.26	1.81	25.44	22.54	(11.40%)
Restricted	7.71	15.20	-	-	7.71	15.20	97.15%
Unrestricted	2.80	1.74	1.94	1.85	4.74	3.59	(24.26%)
Total Net position	\$34.69	\$37.67	\$3.20	\$3.66	\$37.89	\$41.33	9.08%

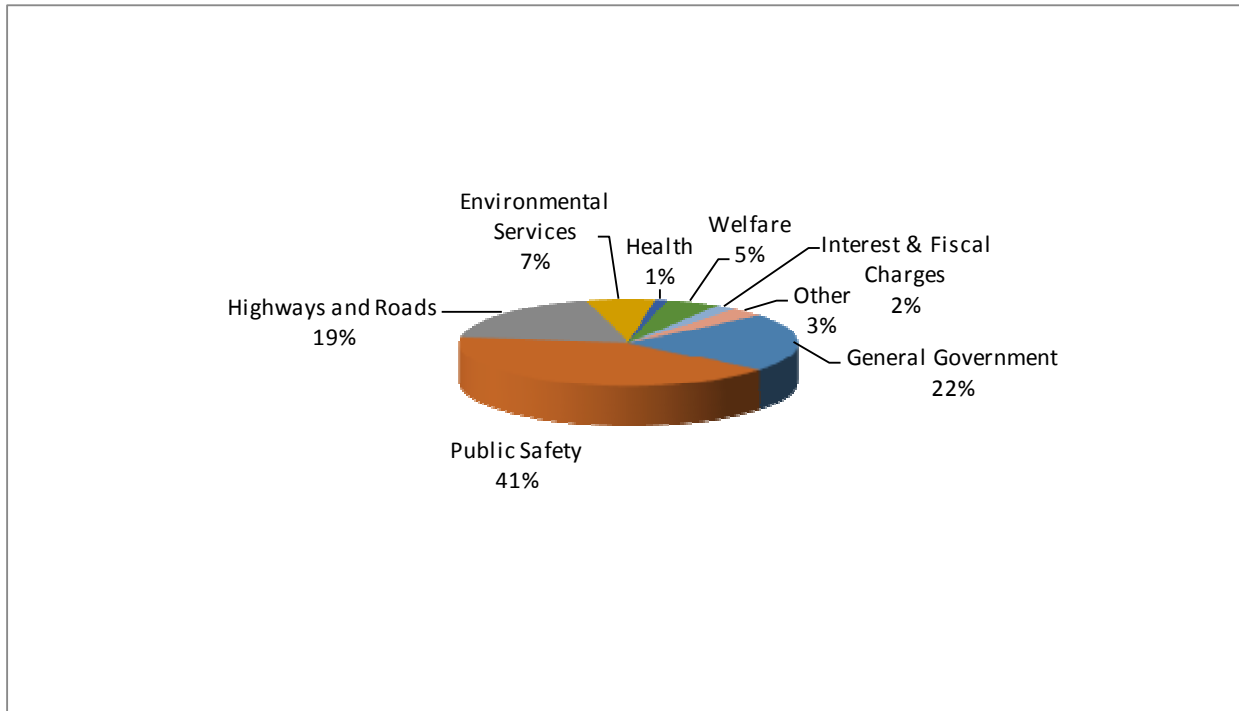
Changes in net position. The Commission’s total revenues were approximately \$43.21 million. (See Table A-2). Approximately 44% of the Commission’s revenue comes from property taxes, and 45 cents of every dollar raised comes from some type of tax. Another 29 cents comes from fees charged for services, and the majority of the remainder is state and federal aid.

Figure A-3
Morgan County Commission
Revenues for Fiscal Year 2013-2014



The total cost of all programs and services was approximately \$39.78 million. The Commission’s expenses cover a range of services with 63% related to general government and public safety.

Figure A-4
Morgan County Commission
Expenditures for Fiscal Year 2013-2014



The Commission was able to fully fund this year's cost through current year revenue which resulted in an increase in net position of \$3.43 million.

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
	2013	2014	2013	2014	2013	2014	2013-2014
Revenues							
Program Revenues							
Charges for Services	\$9.14	\$9.55	\$2.81	\$2.86	\$11.95	\$12.41	3.85%
Operating Grants and Contributions	6.74	6.67	-	-	6.74	6.67	(1.04%)
Capital Grants and Contributions	1.76	3.59	-	-	1.76	3.59	103.98%
General Revenues							
Property Taxes	18.39	18.97	-	-	18.39	18.97	3.15%
Other Taxes	.55	.64	-	-	.55	.64	16.36%
Unrestricted Grants/Contributions	.49	.50	-	-	.49	.50	2.04%
Interest and Investment Earnings	.06	.06	-	-	.06	.06	0%
Other	.47	.37	.01	-	.48	.37	(20.43%)
Total revenues	37.60	40.35	2.82	2.86	40.42	43.21	6.91%
Expenses							
General Government	9.26	8.65	-	-	9.26	8.65	(6.59%)
Public Safety	16.55	16.44	-	-	16.55	16.44	(0.66%)
Highways and Roads	7.19	7.43	-	-	7.19	7.43	3.34%
Sanitation	.24	.23	2.35	2.41	2.59	2.64	1.93%
Health	.45	.46	-	-	.45	.46	2.22%
Welfare	1.97	2.02	-	-	1.97	2.02	2.54%
Culture and Recreation	1.30	1.20	-	-	1.30	1.20	(7.69%)
Education	.05	.11	-	-	.05	.11	120.00%
Intergovernmental	.44	-	-	-	.44	-	(100.00%)
Interest and Fiscal Charges	2.06	.83	-	-	2.06	.83	(59.71%)
Loss on Disposal of Fixed Assets	-	-	-	-	-	-	
Total expenses	39.51	37.37	2.35	2.41	41.86	39.78	(4.97%)
Increase (decrease) in net position	\$(1.91)	\$2.98	\$.47	\$.46	\$(1.44)	\$3.43	141.98%

Governmental Activities

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

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

- The cost of all governmental activities this year was \$37.37 million, including depreciation expenses of \$2.36 million. The total cost decreased from the prior year by \$2.14 million. This decrease is mainly due to a reduction in debt related costs.
- The net cost to taxpayers for these activities was \$17.56 million. Some of the costs were paid by:
 - Those who directly benefited from the programs (\$9.55 million), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$10.26 million)
- The Commission paid for the \$17.56 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	
	2013	2014	2013-2014	2013	2014
General Government	\$9.26	\$8.65	(6.59%)	\$2.93	\$3.11
Public Safety	16.55	16.44	(.66%)	11.22	10.83
Highways and Roads	7.19	7.43	3.34%	2.86	.56
Welfare	1.97	2.02	2.54%	.82	.71
Culture and Recreation	1.30	1.20	(7.69%)	1.08	.98
Interest & Fiscal Charges	2.06	.83	(59.71%)	2.06	.83
Other	1.18	.80	(32.20%)	.90	.54
Total	\$39.51	\$37.37	(5.42%)	\$21.87	\$17.56

Business-Type Activities

Revenues and expenses of the Commission's business-type activities increased from the prior year by approximately \$48,894 and \$63,872, respectively. Revenue increased during the year due to incurring additional collection fees. Increase in expenses include a purchase of additional carts and installation of a property fence.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

As the Commission completed the year, its governmental funds reported a *combined* fund balance of \$22.86 million representing an increase from the prior year's combined fund balance of \$15.46 million. The year's total change in fund balance is attributable to an increase of \$425,327 in the Commission's General Fund, a decrease of \$716,458 in the Gasoline Fund, an increase of \$3,120,669 in the Other Governmental Funds balance and the addition of \$4,569,718 in the Jail Project Fund.

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 2014, the Commission had invested \$52.15 million in a broad range of capital assets for its governmental activities. (See Table A-4). This amount represents a net increase (including additions and deductions) of \$4 million. The increase includes additions of fixed assets totaling \$6.36 million and depreciation expense of \$2.36 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
	2013	2014	2013	2014	2013	2014	2013-2014
	Land	\$3.05	\$3.07	\$ -	\$ -	\$3.05	\$3.07
Infrastructure	13.83	14.62	-	-	13.83	14.62	5.71%
Infrastructure in Progress	.47	2.23	-	-	.47	2.23	374.47%
Buildings and Improvements	24.53	24.85	1.46	1.42	25.99	26.27	1.08%
Improvements Other Than Buildings	1.59	1.48	-	.02	1.59	1.50	(5.66%)
Equipment and Furniture	3.53	3.86	.42	.67	3.95	4.53	14.68%
Construction in Progress	.74	1.43	-	-	.74	1.43	93.24%
Equipment Under Capital Leases	.48	.61	1.35	1.20	1.83	1.81	(1.09%)
Total	\$48.22	\$52.15	\$3.23	\$3.31	\$51.45	\$55.46	7.79%

Construction of the Union Hill Senior Center and the Somerville Senior Center was completed during the year. Construction in Progress projects at year-end include the ARRA Sidewalk Project, the West Park Addition, the District 3 Building and the Brindlee Mountain Park Concession Stand and Improvements. The Jail Addition and Lacey Springs Senior Center project are still in the planning phase.

Long-term Debt

At year-end, the Commission had \$30.73 million in bonds outstanding - an increase of \$7.0 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
	2013	2014	2013	2014	2013	2014	2013-2014
	General Obligation Warrants	\$23.72	\$30.73	\$ -	\$ -	\$23.72	\$30.73
Capital Leases	.32	.69	1.97	1.50	2.29	2.19	(4.41%)
Compensated Absences	1.09	1.08	.02	.03	1.11	1.11	0%
Net OPEB Obligation	3.56	4.47	.15	.18	3.71	4.65	25.34%
Total	\$28.69	\$36.97	\$2.14	\$1.71	\$30.83	\$38.68	25.46%

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, 2014

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 14,010,040.18	\$ 1,928,953.35	\$ 15,938,993.53
Receivables (Note 4)	1,867,472.75	229,303.35	2,096,776.10
Ad Valorem Taxes Receivable	14,174,214.00		14,174,214.00
Prepaid Items	316,348.38		316,348.38
Total Current Assets	30,368,075.31	2,158,256.70	32,526,332.01
<u>Noncurrent Assets</u>			
Restricted Cash	8,681,012.82		8,681,012.82
Restricted Cash with Fiscal Agent	354,802.04		354,802.04
Capital Assets (Note 5):			
Nondepreciable	6,724,639.79		6,724,639.79
Depreciable, Net	45,427,256.54	3,307,632.55	48,734,889.09
Total Noncurrent Assets	61,187,711.19	3,307,632.55	64,495,343.74
Total Assets	91,555,786.50	5,465,889.25	97,021,675.75
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Payables (Note 9)	594,776.81	55,647.66	650,424.47
Accrued Wages Payable	386,172.09	13,919.99	400,092.08
Unearned Revenue	402,205.52		402,205.52
Accrued Interest Payable	366,408.96	28,610.71	395,019.67
Long-Term Liabilities:			
Portion Payable Within One Year:			
Capital Leases Payable	154,037.74	486,648.97	640,686.71
Warrants Payable	1,655,000.00		1,655,000.00
Estimated Claims Costs Payable	102,722.52	5,130.63	107,853.15
Estimated Liability for Compensated Absences	302,802.18	6,683.10	309,485.28
Total Current Liabilities	3,964,125.82	596,641.06	4,560,766.88
<u>Noncurrent Liabilities</u>			
Amount Due After One Year:			
Capital Leases Payable	534,230.73	1,015,507.08	1,549,737.81
Warrants Payable	29,080,000.00		29,080,000.00
Estimated Liability for Compensated Absences	778,162.76	18,494.43	796,657.19
Other Postemployment Benefit Obligation	4,469,490.71	181,159.42	4,650,650.13
Total Noncurrent Liabilities	34,861,884.20	1,215,160.93	36,077,045.13
Total Liabilities	\$ 38,826,010.02	\$ 1,811,801.99	\$ 40,637,812.01

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

	Governmental Activities	Business-Type Activities	Total
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	\$ 14,174,214.00	\$	\$ 14,174,214.00
Revenue Received in Advance - Motor Vehicle Taxes	887,039.71		887,039.71
Total Deferred Inflows of Resources	15,061,253.71		15,061,253.71
<u>Net Position</u>			
Net Investment in Capital Assets	20,728,627.86	1,805,476.50	22,534,104.36
Restricted for:			
Debt Service	1,465,108.78		1,465,108.78
Law Enforcement	84,412.66		84,412.66
Highways and Roads	4,611,128.03		4,611,128.03
Capital Projects	6,844,506.47		6,844,506.47
Other Purposes	2,197,149.54		2,197,149.54
Unrestricted	1,737,589.43	1,848,610.76	3,586,200.19
Total Net Position	\$ 37,668,522.77	\$ 3,654,087.26	\$ 41,322,610.03

Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$ 8,651,124.74	\$ 4,766,849.36	\$ 253,923.08
Public Safety	16,435,945.12	3,856,313.14	1,742,074.67
Highways and Roads	7,434,267.02	195,509.76	3,894,397.72
Sanitation	231,854.71	193,485.97	
Health	457,938.93	64,750.00	7,545.72
Welfare	2,015,586.16	315,969.80	714,015.00
Culture and Recreation	1,203,999.99	160,220.23	56,100.00
Education	112,423.53		
Interest and Fiscal Charges	828,380.46		
Total Governmental Activities	37,371,520.66	9,553,098.26	6,668,056.19
Business-Type Activities:			
Environmental Services	2,410,218.47	2,859,564.11	
Total Business-Type Activities	2,410,218.47	2,859,564.11	
Total Primary Government	\$ 39,781,739.13	\$ 12,412,662.37	\$ 6,668,056.19

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
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.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 517,000.51	\$ (3,113,351.79)	\$	\$ (3,113,351.79)
10,151.54	(10,827,405.77)		(10,827,405.77)
2,785,838.34	(558,521.20)		(558,521.20)
	(38,368.74)		(38,368.74)
	(385,643.21)		(385,643.21)
278,545.68	(707,055.68)		(707,055.68)
	(987,679.76)		(987,679.76)
	(112,423.53)		(112,423.53)
	(828,380.46)		(828,380.46)
<u>3,591,536.07</u>	<u>(17,558,830.14)</u>		<u>(17,558,830.14)</u>
		449,345.64	449,345.64
		<u>449,345.64</u>	<u>449,345.64</u>
<u>\$ 3,591,536.07</u>	<u>(17,558,830.14)</u>	449,345.64	<u>(17,109,484.50)</u>
	10,131,896.13		10,131,896.13
	6,065,370.81		6,065,370.81
	2,768,434.43		2,768,434.43
	637,585.71		637,585.71
	499,302.70		499,302.70
	63,999.49	4,392.61	68,392.10
	367,530.69	3,738.40	371,269.09
	<u>20,534,119.96</u>	<u>8,131.01</u>	<u>20,542,250.97</u>
	2,975,289.82	457,476.65	3,432,766.47
	<u>34,693,232.95</u>	<u>3,196,610.61</u>	<u>37,889,843.56</u>
<u>\$ 37,668,522.77</u>	<u>\$ 3,654,087.26</u>	<u>\$</u>	<u>\$ 41,322,610.03</u>

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Gasoline Tax Fund
<u>Assets</u>		
Cash	\$ 6,399,523.96	\$ 510,707.86
Cash With Fiscal Agent		
Receivables (Note 4)	1,055,604.70	275,414.64
Ad Valorem Taxes Receivable	12,939,871.00	
Interrfund Receivables	227,905.73	
Advances To Other Funds	60,000.00	
Prepaid Items	45,596.75	
Total Assets	<u>20,728,502.14</u>	<u>786,122.50</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 9)	298,724.25	61,061.54
Interfund Payables	565.71	
Accrued Wages Payable	276,388.02	58,368.70
Advances From Other Funds		
Estimated Claims Cost Payable	75,758.14	15,271.72
Unearned Revenue		
Total Liabilities	<u>651,436.12</u>	<u>134,701.96</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	12,939,871.00	
Revenue Received in Advance - Motor Vehicle Taxes	887,039.71	
Total Deferred Inflows of Resources	<u>13,826,910.71</u>	
<u>Fund Balances</u>		
Nonspendable:		
Advances to Other Funds	60,000.00	
Prepaid Items	45,596.75	
Restricted for:		
Debt Service		
Law Enforcement		
Highways and Roads		
Capital Projects		
Other Purposes		
Assigned to:		
Industrial Development	148,354.21	
Highways and Roads		651,420.54
Other Purposes		
Unassigned	5,996,204.35	
Total Fund Balances	<u>6,250,155.31</u>	<u>651,420.54</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,728,502.14</u>	<u>\$ 786,122.50</u>

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

Jail Project Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,585,829.00	\$ 11,194,992.18	\$ 22,691,053.00
	354,802.04	354,802.04
	536,453.41	1,867,472.75
	1,234,343.00	14,174,214.00
	565.71	228,471.44
		60,000.00
	270,751.63	316,348.38
<u>4,585,829.00</u>	<u>13,591,907.97</u>	<u>39,692,361.61</u>
16,111.00	218,880.02	594,776.81
	227,905.73	228,471.44
	51,415.37	386,172.09
	60,000.00	60,000.00
	11,692.66	102,722.52
	402,205.52	402,205.52
<u>16,111.00</u>	<u>972,099.30</u>	<u>1,774,348.38</u>
	1,234,343.00	14,174,214.00
		887,039.71
	<u>1,234,343.00</u>	<u>15,061,253.71</u>
		60,000.00
	270,751.63	316,348.38
	1,831,517.74	1,831,517.74
	84,412.66	84,412.66
	4,611,128.03	4,611,128.03
4,569,718.00	2,274,788.47	6,844,506.47
	2,197,149.54	2,197,149.54
		148,354.21
		651,420.54
	115,717.60	115,717.60
		5,996,204.35
<u>4,569,718.00</u>	<u>11,385,465.67</u>	<u>22,856,759.52</u>
<u>\$ 4,585,829.00</u>	<u>\$ 13,591,907.97</u>	<u>\$ 39,692,361.61</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2014***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 22,856,759.52

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: 52,151,896.33

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	\$ 1,655,000.00	\$ 29,080,000.00	
Capital Leases Payable	154,037.74	534,230.73	
Compensated Absences	302,802.18	778,162.76	
Other Postemployment Benefit Obligation		4,469,490.71	
Total Long-Term Liabilities	\$ 2,111,839.92	\$ 34,861,884.20	(36,973,724.12)

Accrued interest payable is not available soon enough to pay for the current period's
expenditures, and therefore is not shown in the funds. (366,408.96)

Total Net Position - Governmental Activities (Exhibit 1) \$ 37,668,522.77

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, 2014

	General Fund	Gasoline Tax Fund
<u>Revenues</u>		
Taxes	\$ 18,432,787.74	\$
Licenses and Permits	230,095.46	
Intergovernmental	1,515,498.29	1,996,309.84
Charges for Services	4,950,677.82	
Miscellaneous	512,441.96	29,731.34
Total Revenues	<u>25,641,501.27</u>	<u>2,026,041.18</u>
<u>Expenditures</u>		
Current:		
General Government	6,700,234.75	
Public Safety	10,665,186.36	
Highways and Roads	70,156.74	4,544,331.69
Sanitation	194,679.25	
Health	428,573.99	
Welfare	423,690.08	
Culture and Recreation	835,845.86	
Education	112,423.53	
Capital Outlay	1,896,230.64	431,097.28
Debt Service:		
Principal	94,087.50	23,224.12
Interest and Fiscal Charges	19,113.72	1,321.52
Bond Issuance Costs		
Total Expenditures	<u>21,440,222.42</u>	<u>4,999,974.61</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>4,201,278.85</u>	<u>(2,973,933.43)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	46,428.00	2,006,692.00
Sale of Capital Assets		37,826.00
Proceeds from Issuance of Long-Term Debt	263,995.00	224,104.00
Transfers Out	(4,086,374.91)	(11,146.25)
Total Other Financing Sources/Uses	<u>(3,775,951.91)</u>	<u>2,257,475.75</u>
Net Change in Fund Balances	425,326.94	(716,457.68)
Fund Balances - Beginning of Year	<u>5,824,828.37</u>	<u>1,367,878.22</u>
Fund Balances - End of Year	<u>\$ 6,250,155.31</u>	<u>\$ 651,420.54</u>

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

Jail Project Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 1,170,499.34	\$ 19,603,287.08
	2,558.00	232,653.46
	7,503,284.59	11,015,092.72
	3,944,187.87	8,894,865.69
6,995.42	51,742.81	600,911.53
6,995.42	12,672,272.61	40,346,810.48
	1,371,266.72	8,071,501.47
	4,564,017.37	15,229,203.73
	1,867,527.13	6,482,015.56
		194,679.25
		428,573.99
	1,233,734.24	1,657,424.32
	241,739.99	1,077,585.85
		112,423.53
437,277.42	3,599,060.10	6,363,665.44
	1,590,000.00	1,707,311.62
	631,974.33	652,409.57
	101,684.58	101,684.58
437,277.42	15,201,004.46	42,078,478.91
(430,282.00)	(2,528,731.85)	(1,731,668.43)
5,000,000.00	2,090,829.16	9,143,949.16
		37,826.00
	8,605,000.00	9,093,099.00
	(5,046,428.00)	(9,143,949.16)
5,000,000.00	5,649,401.16	9,130,925.00
4,569,718.00	3,120,669.31	7,399,256.57
	8,264,796.36	15,457,502.95
\$ 4,569,718.00	\$ 11,385,465.67	\$ 22,856,759.52

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, 2014

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)	\$ 7,399,256.57
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 (\$6,363,665.44) exceeds depreciation expense (\$2,360,843.89) in the current period.	4,002,821.55
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.	(71,750.07)
Repayment of warrant 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.	1,707,311.62
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.	(9,093,099.00)
Some items reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. These items consist of:	
Net Changes in Compensated Absences	\$ 11,378.46
Net Increase in Other Postemployment Benefit Obligation	(906,343.00)
	(894,964.54)
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.	(74,286.31)
Change in Net Position of Governmental Activities (Exhibit 2)	\$ 2,975,289.82

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

Statement of Net Position
Proprietary Fund
September 30, 2014

	<u>Enterprise Fund</u> <u>Environmental</u> <u>Services Fund</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,928,953.35
Receivables (Note 4)	229,303.35
Total Current Assets	<u>2,158,256.70</u>
<u>Noncurrent Assets</u>	
Capital Assets, Net	<u>3,307,632.55</u>
Total Noncurrent Assets	<u>3,307,632.55</u>
Total Assets	<u>5,465,889.25</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Payables (Note 9)	55,647.66
Accrued Wages Payable	13,919.99
Accrued Interest Payable	28,610.71
Estimated Claims Costs Liability	5,130.63
Capital Leases Payable	486,648.97
Estimated Liability for Compensated Absences	6,683.10
Total Current Liabilities	<u>596,641.06</u>
<u>Noncurrent Liabilities</u>	
Capital Lease Payable	1,015,507.08
Estimated Liability for Compensated Absences	18,494.43
Other Postemployment Benefit Obligation	181,159.42
Total Noncurrent Liabilities	<u>1,215,160.93</u>
Total Liabilities	<u>1,811,801.99</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1,805,476.50
Unrestricted	<u>1,848,610.76</u>
Total Net Position	<u>\$ 3,654,087.26</u>

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, 2014

	<u>Enterprise Fund</u> <u>Environmental</u> <u>Services Fund</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 2,859,564.11
Total Operating Revenues	<u>2,859,564.11</u>
<u>Operating Expenses</u>	
Salaries and Benefits	676,839.09
Contractual and Professional Services	281,991.60
Materials and Supplies	351,203.64
Repairs and Maintenance	180,979.97
Rentals	4,316.30
Utilities	20,013.42
Insurance	18,771.00
Depreciation	290,010.32
Landfill Expenses	466,078.37
Miscellaneous	72,396.23
Total Operating Expenses	<u>2,362,599.94</u>
Operating Income (Loss)	<u>496,964.17</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest Revenue	4,392.61
Interest Expense	(47,618.53)
Sale of Scrap Equipment	3,738.40
Total Nonoperating Revenue (Expenses)	<u>(39,487.52)</u>
Change in Net Position	457,476.65
Total Net Position - Beginning of Year	<u>3,196,610.61</u>
Total Net Position - End of Year	<u>\$ 3,654,087.26</u>

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2014

	<u>Enterprise Fund</u> <u>Environmental</u> <u>Services Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 2,863,349.98
Payments to Suppliers	(1,419,681.15)
Payments to Employees	(636,499.27)
Net Cash Provided by Operating Activities	<u>807,169.56</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(365,638.13)
Sale of Scrap Equipment	3,738.40
Payments on Capital Debt	(473,085.85)
Interest Paid on Capital Debt	(56,629.15)
Net Cash Provided by Capital and Related Financing Activities	<u>(891,614.73)</u>
<u>Cash Flows from Investing Activities</u>	
Interest and Dividends	<u>4,392.61</u>
Net Cash Provided by Investing Activities	<u>4,392.61</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(80,052.56)
Cash and Cash Equivalents - Beginning of Year	<u>2,009,005.91</u>
Cash and Cash Equivalents - End of Year	<u><u>1,928,953.35</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>	
Operating Income (Loss)	496,964.17
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	290,010.32
Change in Assets and Liabilities:	
Receivables	3,785.87
Payables	(23,930.62)
Accrued Wages Payable	2,642.48
Estimated Claims Costs Liability	(1,099.46)
Estimated Liability for Compensated Absences	3,405.23
Net Other Postemployment Benefit Obligations	35,391.57
Net Cash Provided by Operating Activities	<u>\$ 807,169.56</u>

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

Statement of Fiduciary Net Position
September 30, 2014

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 825,093.48	\$ 2,610,096.47
Receivables (Note 4)	13,602.63	4,801,233.14
Total Assets	<u>838,696.11</u>	<u>7,411,329.61</u>
Liabilities		
Payables (Note 9)	15,275.63	7,411,329.61
Total Liabilities	<u>15,275.63</u>	<u>\$ 7,411,329.61</u>
Net Position		
Held in Trust for Other Purposes	823,420.48	
Total Net Position	<u>\$ 823,420.48</u>	

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

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2014***

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Local Taxes and Fees	\$ 209,999.40
Interest Earned	50.82
Miscellaneous	515,000.88
Total Additions	<u>725,051.10</u>
<u>Deductions</u>	
Administrative Expenses	<u>589,921.33</u>
Total Deductions	<u>589,921.33</u>
Change in Net Position	135,129.77
Net Position - Beginning of Year	<u>688,290.71</u>
Net Position - End of Year	<u><u>\$ 823,420.48</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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.
- ◆ **Jail Project Fund** – This fund is used to account for the expenditures of the warrants proceeds related to the approved public safety project for the addition to the existing jail facilities.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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, Deferred Inflows of Resources 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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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. Property tax revenue deferred is reported as a deferred inflow of resources.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

8. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and governmental funds financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

9. Net Position/Fund Balances

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 4 – Receivables

On September 30, 2014, receivables for the Commission’s individual major funds, other governmental funds and fiduciary funds in the aggregate are as follows:

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Governmental Funds:</u>				
<u>Receivables:</u>				
Accounts Receivable	\$ 495,081.72	\$ 33,435.00	\$ 54,274.55	\$ 582,791.27
Intergovernmental	256,731.48	241,893.64	482,137.77	980,762.89
Other Receivables	303,791.50	86.00	41.09	303,918.59
Total Receivables	\$1,055,604.70	\$275,414.64	\$536,453.41	\$1,867,472.75

	Environmental Services Fund
<u>Proprietary Fund:</u>	
<u>Receivables:</u>	
Accounts Receivable	\$229,303.35
Total Receivables	\$229,303.35

	Private-Purpose Trust Funds	Agency Funds
<u>Fiduciary Funds:</u>		
<u>Receivables:</u>		
Intergovernmental	\$13,602.63	\$1,654,977.65
Sales Taxes		3,146,255.49
Total Receivables	\$13,602.63	\$4,801,233.14

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/01/2013	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2014
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,054,299.61	\$ 12,000.00	\$	\$ 3,066,299.61
Infrastructure in Progress	467,826.89	2,956,520.28	(1,194,174.24)	2,230,172.93
Construction in Progress	741,662.92	982,047.56	(295,543.23)	1,428,167.25
Total Capital Assets, Not Being Depreciated	4,263,789.42	3,950,567.84	(1,489,717.47)	6,724,639.79
Capital Assets Being Depreciated:				
Infrastructure	18,531,331.91	1,194,174.24		19,725,506.15
Buildings	36,271,838.40	1,246,190.72		37,518,029.12
Improvements Other Than Buildings	2,984,177.96	11,535.00		2,995,712.96
Equipment and Furniture	15,193,499.70	1,226,811.11	(232,307.26)	16,188,003.55
Assets Under Capital Lease	780,148.29	224,104.00		1,004,252.29
Total Capital Assets Being Depreciated	73,760,996.26	3,902,815.07	(232,307.26)	77,431,504.07
Less Accumulated Depreciation for:				
Infrastructure	(4,699,138.73)	(401,169.23)		(5,100,307.96)
Buildings	(11,742,198.39)	(925,537.21)		(12,667,735.60)
Improvements Other Than Buildings	(1,392,567.63)	(121,337.23)		(1,513,904.86)
Equipment and Furniture	(11,668,800.68)	(823,580.10)	160,557.19	(12,331,823.59)
Assets Under Capital Lease	(301,255.40)	(89,220.12)		(390,475.52)
Total Accumulated Depreciation	(29,803,960.83)	(2,360,843.89)	160,557.19	(32,004,247.53)
Total Capital Assets Being Depreciated, Net	43,957,035.43	1,541,971.18	(71,750.07)	45,427,256.54
Total Governmental Activities Capital Assets, Net	\$ 48,220,824.85	\$ 5,492,539.02	\$(1,561,467.54)	\$ 52,151,896.33
Reclassifications totaling \$1,489,717.47 are included in the Additions and Deletions columns.				

	Balance 10/01/2013	Additions	Deletions	Balance 09/30/2014
Business-Type Activities:				
Capital Assets Being Depreciated:				
Buildings	\$ 1,584,936.71	\$	\$	\$ 1,584,936.71
Improvements Other Than Buildings	10,214.30	19,353.00		29,567.30
Equipment and Furniture	1,378,815.94	346,285.13		1,725,101.07
Equipment Under Capital Lease	1,590,728.00			1,590,728.00
Total Capital Assets Being Depreciated	4,564,694.95	365,638.13		4,930,333.08
Less Accumulated Depreciation for:				
Buildings	(126,078.28)	(40,349.85)		(166,428.13)
Improvements Other Than Buildings	(8,980.16)	(994.55)		(9,974.71)
Equipment and Furniture	(959,022.55)	(89,593.09)		(1,048,615.64)
Equipment Under Capital Lease	(238,609.22)	(159,072.83)		(397,682.05)
Total Accumulated Depreciation	(1,332,690.21)	(290,010.32)		(1,622,700.53)
Total Capital Assets Being Depreciated, Net	3,232,004.74	75,627.81		3,307,632.55
Total Business-Type Activities Capital Assets, Net	\$ 3,232,004.74	\$ 75,627.81	\$	\$ 3,307,632.55

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 369,603.73
Public Safety	718,351.25
Highways and Roads	820,047.53
Sanitation	27,936.96
Health	23,106.55
Welfare	298,971.52
Culture and Recreation	102,826.35
Total Governmental Activities	<u>\$2,360,843.89</u>

	Current Year Depreciation Expense
Business-Type Activities:	
Sanitation	\$290,010.32
Total Business-Type Activities	<u>\$290,010.32</u>

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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 5 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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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, 2014, was 8.44 percent for Tier 1 employees and 6.14 percent for Tier 2 employees. These contribution rates are based on the actuarial valuation performed as of September 30, 2011.

C. Annual Pension Cost

For the year ended September 30, 2014, the Commission's annual pension cost of \$1,066,854.66 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, 2013, 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 a closed basis. The remaining amortization period as of September 30, 2013, 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
09/30/2014	\$1,066,855	100%	\$0
09/30/2013	\$1,000,531	100%	\$0
09/30/2012	\$ 927,666	100%	\$0

Notes to the Financial Statements
For the Year Ended September 30, 2014

D. Funded Status and Funding Progress

As of September 30, 2013, the most recent actuarial valuation date, the plan was 74.1 percent funded. The actuarial accrued liability for benefits was \$37,477,719 and the actuarial value of assets was \$27,761,441, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,716,278. The covered payroll (annual payroll of active employees covered by the plan) was \$13,279,996, and the ratio of the UAAL to the covered payroll was 73.2 percent.

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

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The 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, 2014. 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 2014, the Commission contributed \$75,499.42 to cover approximately twenty-one participants. Plan members receiving benefits contribute \$300.00 for family coverage cost and \$200.00 for single coverage costs. For fiscal year 2014, total retired member contributions were \$61,624.00.

Notes to the Financial Statements
For the Year Ended September 30, 2014

C. Annual OPEB Cost

For fiscal year 2014, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, dental, and prescription drug insurance was \$1,017,234.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2014	\$1,017,234	7.42%	\$4,650,650
09/30/2013	\$1,017,234	12.37%	\$3,708,916
09/30/2012	\$ 899,978	19.34%	\$2,817,476

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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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	\$10,103,752
West Park Addition	\$ 17,870
Brindlee Mountain Concession	\$ 149,237
ARRA Sidewalk Project	\$ 119,017
Lacey Springs Senior Center	\$ 317,471
District 3 Building	\$ 62,735

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 9 – Payables

On September 30, 2014, payables for the Commission’s individual major funds, other governmental fund and fiduciary funds in the aggregate are as follows:

	Accounts Payable	Due to Other Governments	Withholdings and Benefits	Total
<u>Governmental Funds:</u>				
General Fund	\$ 298,724.25	\$	\$	\$ 298,724.25
Gasoline Tax Fund	41,061.54	20,000.00		61,061.54
Jail Project Fund	16,111.00			16,111.00
Other Governmental Funds	216,528.76	2,351.26		218,880.02
Total Governmental Funds	572,425.55	22,351.26		594,776.81
<u>Business-Type Activities:</u>				
Environmental Services Fund	55,647.66			55,647.66
Total Business-Type Activities	55,647.66			55,647.66
<u>Fiduciary Funds:</u>				
Private-Purpose Trust	15,275.63			15,275.63
Agency	1,094,949.59	6,193,163.78	123,216.24	7,411,329.61
Total Fiduciary Funds	\$1,110,225.22	\$6,193,163.78	\$123,216.24	\$7,426,605.24

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 10 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$1,004,252.29 for governmental activities at September 30, 2014. 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, 2015	\$178,539.88
2016	178,539.88
2017	178,539.89
2018	118,896.31
2019	70,675.80
2020	29,199.60
Total Minimum Lease Payments	754,391.36
Less: Amount Representing Interest	(66,122.89)
Present Value of Net Minimum Lease Payments	<u>\$688,268.47</u>

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014. 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, 2015	\$ 529,715.32
2016	529,715.00
2017	529,715.00
Total Minimum Lease Payments	1,589,145.32
Less: Amount Representing Interest	(86,989.27)
Present Value of Net Minimum Lease Payments	<u>\$1,502,156.05</u>

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 on a current basis 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 the Outstanding Series 2004 General Obligation Warrants.

In January 2014, General Obligation Warrants were issued with variable interest rates of 1.75 percent to 4 percent to fund public safety and public transportation projects.

Notes to the Financial Statements
For the Year Ended September 30, 2014

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2014:

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Series 2010	\$ 2,255,000.00	\$	\$ (295,000.00)	\$ 1,960,000.00	\$ 305,000.00
General Obligation Series 2012	9,300,000.00		(755,000.00)	8,545,000.00	770,000.00
General Obligation Series 2013A	9,900,000.00		(135,000.00)	9,765,000.00	150,000.00
General Obligation Series 2013B	2,265,000.00		(20,000.00)	2,245,000.00	25,000.00
General Obligation Series 2014		8,605,000.00	(385,000.00)	8,220,000.00	405,000.00
Total Warrants Payable	23,720,000.00	8,605,000.00	(1,590,000.00)	30,735,000.00	1,655,000.00
Capital Leases Payable	317,481.09	488,099.00	(117,311.62)	688,268.47	154,037.74
Estimated Liability for					
Compensated Absences	1,092,343.40		(11,378.46)	1,080,964.94	302,802.18
Net OPEB Obligation	3,563,147.71	906,343.00		4,469,490.71	
Total Governmental Activities Long-Term Liabilities	28,692,972.20	9,999,442.00	(1,718,690.08)	36,973,724.12	2,111,839.92
Business-Type Activities:					
Capital Leases Payable	1,975,241.90		(473,085.85)	1,502,156.05	486,648.97
Estimated Liability for					
Compensated Absences	21,772.30	3,405.23		25,177.53	6,683.10
Net OPEB Obligation	145,767.85	35,391.57		181,159.42	
Total Business-Type Activities Long-Term Liabilities	\$ 2,142,782.05	\$ 38,796.80	\$ (473,085.85)	\$ 1,708,493.00	\$ 493,332.07

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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

Fiscal Year Ending	Governmental Activities					
	Series 2010		Series 2012		Series 2013A	
	General Obligation Warrants		General Obligation Warrants		General Obligation Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2015	\$ 305,000.00	\$ 54,035.00	\$ 770,000.00	\$ 184,787.50	\$ 150,000.00	\$ 228,740.00
2016	315,000.00	45,523.00	790,000.00	169,387.50	155,000.00	227,540.00
2017	320,000.00	36,785.00	800,000.00	153,587.50	155,000.00	225,990.00
2018	330,000.00	27,035.00	815,000.00	137,587.50	155,000.00	224,440.00
2019	340,000.00	16,730.00	835,000.00	121,287.50	160,000.00	222,347.50
2020-2024	350,000.00	5,688.00	4,535,000.00	284,137.50	835,000.00	1,070,575.00
2025-2029					8,155,000.00	635,560.00
2030-2033						
Total	\$1,960,000.00	\$185,796.00	\$8,545,000.00	\$1,050,775.00	\$9,765,000.00	\$2,835,192.50

Fiscal Year Ending	Business-Type Activities		Total Principal and Interest Requirements
	Capital Leases Contracts Payable		
	Principal	Interest	
September 30, 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	\$1,502,156.05	\$86,989.27	\$1,589,145.32

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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Series 2013B		Governmental Activities				Total Principal and Interest Requirements
General Obligation Warrants		Series 2014		Capital Leases Contracts Payable		
Principal	Interest	Principal	Interest	Principal	Interest	
\$ 25,000.00	\$ 68,326.26	\$ 405,000.00	\$ 235,915.00	\$154,037.74	\$24,502.14	\$ 2,605,343.64
30,000.00	67,863.76	415,000.00	227,815.00	159,945.97	18,593.91	2,621,669.14
30,000.00	67,308.76	420,000.00	219,515.00	166,110.08	12,429.81	2,606,726.15
30,000.00	66,753.76	430,000.00	211,115.00	112,320.15	6,576.16	2,545,827.57
30,000.00	66,198.76	445,000.00	198,215.00	67,458.47	3,217.33	2,505,454.56
2,100,000.00	287,781.28	2,390,000.00	825,405.00	28,396.06	803.54	12,712,786.38
		2,445,000.00	472,005.00			11,707,565.00
		1,270,000.00	125,337.50			1,395,337.50
\$2,245,000.00	\$624,232.58	\$8,220,000.00	\$2,515,322.50	\$688,268.47	\$66,122.89	\$38,700,709.94

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
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
2013-2014	\$143,850.16	\$3,529,502.98	\$3,565,500.00	\$107,853.14

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 13 – Interfund Transactions

Interfund Receivables/Payables

Interfund receivables/payables at September 30, 2014, were as follows:

	<u>Interfund Receivables</u>		Totals
	General Fund	Other Governmental Funds	
<u>Interfund Payables:</u>			
General Fund	\$	\$565.71	\$ 565.71
Other Governmental Funds	227,905.73		227,905.73
Totals	<u>\$227,905.73</u>	<u>\$565.71</u>	<u>\$228,471.44</u>

Advances To/From Other Funds

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2014, were as follows:

	Operating Transfers Out			Totals
	General Fund	Gasoline Tax Fund	Other Governmental Funds	
<u>Operating Transfers In:</u>				
General Fund	\$	\$	\$ 46,428.00	\$ 46,428.00
Gasoline Tax Fund	2,006,692.00			2,006,692.00
Jail Project Fund			5,000,000.00	5,000,000.00
Other Governmental Funds	2,079,682.91	11,146.25		2,090,829.16
Totals	\$4,086,374.91	\$11,146.25	\$5,046,428.00	\$9,143,949.16

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 15 – Subsequent Events

On July 28, 2015, the Commission authorized the Chairman to proceed with the execution of a \$3,000,000 bond issue for the jail annex project.

Note 16 – Reclassification

During the fiscal year ended September 30, 2014, the Commission adopted the GASB Statement Number 65, ***Items Previously Reported as Assets and Liabilities*** (GASB 65), that established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses/expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The implementation of GASB 65 resulted in the reclassification of certain items previously reported as assets and liabilities.

Required Supplementary Information

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2014***

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<u>Revenues</u>			
Taxes	\$ 13,270,955.00	\$ 13,306,680.00	\$ 13,616,400.11
Licenses and Permits	177,000.00	177,000.00	230,095.46
Intergovernmental	880,116.00	923,884.13	1,179,707.95
Charges for Services	4,940,846.00	4,940,846.00	4,847,529.84
Miscellaneous	314,350.00	431,078.29	442,412.78
Total Revenues	<u>19,583,267.00</u>	<u>19,779,488.42</u>	<u>20,316,146.14</u>
<u>Expenditures</u>			
Current:			
General Government	6,438,229.00	6,629,680.00	6,361,469.89
Public Safety	10,826,454.00	10,857,150.36	10,660,936.36
Highways and Roads			
Sanitation			
Health	435,296.00	435,296.00	428,573.99
Welfare	146,289.00	146,289.00	137,096.01
Culture and Recreation	246,492.00	246,492.00	222,641.20
Education	45,000.00	45,000.00	45,000.00
Capital Outlay		76,387.20	356,657.20
Debt Service:			
Principal		48,461.27	48,461.27
Interest		5,009.59	5,009.59
Total Expenditures	<u>18,137,760.00</u>	<u>18,489,765.42</u>	<u>18,265,845.51</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,445,507.00</u>	<u>1,289,723.00</u>	<u>2,050,300.63</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	1,312,183.00	1,312,183.00	1,365,663.74
Sale of Capital Assets	17,500.00	17,500.00	
Proceeds from Issuance of Long-Term Debt	21,000.00	21,000.00	263,995.00
Transfers Out	(2,771,924.00)	(2,771,924.00)	(2,750,330.84)
Total Other Financing Sources (Uses)	<u>(1,421,241.00)</u>	<u>(1,421,241.00)</u>	<u>(1,120,672.10)</u>
Net Change in Fund Balances	24,266.00	(131,518.00)	929,628.53
Fund Balances - Beginning of Year	<u>2,025,933.72</u>	<u>2,025,933.72</u>	<u>2,223,157.58</u>
Fund Balances - End of Year	<u>\$ 2,050,199.72</u>	<u>\$ 1,894,415.72</u>	<u>\$ 3,152,786.11</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 4,816,387.63	\$ 18,432,787.74
		230,095.46
(1)	335,790.34	1,515,498.29
(1)	103,147.98	4,950,677.82
(1)	70,029.18	512,441.96
	<u>5,325,355.13</u>	<u>25,641,501.27</u>
(2)	(338,764.86)	6,700,234.75
(2)	(4,250.00)	10,665,186.36
(2)	(70,156.74)	70,156.74
(2)	(194,679.25)	194,679.25
		428,573.99
(2)	(286,594.07)	423,690.08
(2)	(613,204.66)	835,845.86
(2)	(67,423.53)	112,423.53
(2)	(1,539,573.44)	1,896,230.64
(2)	(45,626.23)	94,087.50
(2)	(14,104.13)	19,113.72
	<u>(3,174,376.91)</u>	<u>21,440,222.42</u>
	<u>2,150,978.22</u>	<u>4,201,278.85</u>
(3)	(1,319,235.74)	46,428.00
		263,995.00
(3)	<u>(1,336,044.07)</u>	<u>(4,086,374.91)</u>
	<u>(2,655,279.81)</u>	<u>(3,775,951.91)</u>
	(504,301.59)	425,326.94
(4)	<u>3,601,670.79</u>	<u>5,824,828.37</u>
	<u>\$ 3,097,369.20</u>	<u>\$ 6,250,155.31</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2014

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	\$	10.55
Morgan County Park West Fund		18,413.26
Morgan County Park East Fund		39,171.25
Morgan County Park South Fund		24,027.59
Morgan County Park North Fund		39,412.09
Public Buildings, Roads and Bridges Fund		4,875,426.09
Jack Maddox Industrial Park Fund		48.79
Rural Morgan County Industrial Development Fund		213.66
Industrial Fund		59.63
Hurricane Relief Grant Fund		0.33
Commission on Aging Fund		86,493.39
Disaster Relief Fund		0.80
Recycling Fund		196,381.10
Soil and Water Conservation Fund		45,696.60
		<hr/>
(2) Expenditures		
Morgan County Park West Fund		176,765.21
Morgan County Park East Fund		254,478.76
Morgan County Park South Fund		122,304.72
Morgan County Park North Fund		172,618.67
Public Buildings, Roads and Bridges Fund		1,760,598.07
Jack Maddox Industrial Park Fund		21,659.31
Rural Morgan County Industrial Development Fund		132,118.00
Commission on Aging Fund		295,290.27
Recycling Fund		194,679.25
Soil and Water Conservation Fund		43,864.65
		<hr/>
(3) Other Financing Sources/(Uses), Net		
Public Buildings, Roads and Bridges Fund	\$	<u>(2,655,279.81)</u>

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.

\$ 5,325,355.13

(3,174,376.91)

(2,655,279.81)

\$ (504,301.59)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Intergovernmental	\$ 1,806,610.00	\$ 1,806,610.00	\$ 1,859,520.36
Miscellaneous	17,300.00	17,300.00	29,571.93
Total Revenues	<u>1,823,910.00</u>	<u>1,823,910.00</u>	<u>1,889,092.29</u>
Expenditures			
Current:			
Highways and Roads	4,454,161.00	4,761,161.00	4,544,331.69
Capital Outlay	6,000.00	188,606.00	431,097.28
Debt Service:			
Principal Retirement	36,894.00	36,894.00	23,224.12
Interest and Fiscal Charges	1,107.00	1,107.00	1,321.52
Total Expenditures	<u>4,498,162.00</u>	<u>4,987,768.00</u>	<u>4,999,974.61</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,674,252.00)</u>	<u>(3,163,858.00)</u>	<u>(3,110,882.32)</u>
Other Financing Sources (Uses)			
Transfers In	2,577,642.00	2,138,892.00	2,122,692.00
Sale of Capital Assets			37,826.00
Other Financing Sources			224,104.00
Transfers Out			(11,146.25)
Total Other Financing Sources (Uses)	<u>2,577,642.00</u>	<u>2,138,892.00</u>	<u>2,373,475.75</u>
Net Change in Fund Balances	(96,610.00)	(1,024,966.00)	(737,406.57)
Fund Balances - Beginning of Year	<u>1,348,529.76</u>	<u>1,348,529.76</u>	<u>1,348,529.76</u>
Fund Balances - End of Year	<u>\$ 1,251,919.76</u>	<u>\$ 323,563.76</u>	<u>\$ 611,123.19</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 136,789.48	\$ 1,996,309.84
(1)	159.41	29,731.34
	<u>136,948.89</u>	<u>2,026,041.18</u>
		4,544,331.69
		431,097.28
		23,224.12
		<u>1,321.52</u>
		<u>4,999,974.61</u>
	<u>136,948.89</u>	<u>(2,973,933.43)</u>
	(116,000.00)	2,006,692.00
		37,826.00
		224,104.00
		<u>(11,146.25)</u>
	<u>(116,000.00)</u>	<u>2,257,475.75</u>
	20,948.89	(716,457.68)
(2)	<u>19,348.46</u>	<u>1,367,878.22</u>
	<u>\$ 40,297.35</u>	<u>\$ 651,420.54</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2014***

**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
- (2) Other Financing Sources/(Uses)
 Severed Minerals Tax Fund

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.

\$ 136,948.89

(116,000.00)

\$ 20,948.89

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***Schedule of Funding Progress
Defined Benefit Pension Plan
For the Year Ended September 30, 2014***

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2013 ⁴	\$27,761,441	\$37,477,719	\$ 9,716,278	74.1%	\$13,279,996	73.2%
9/30/2012 ³	\$26,125,458	\$35,194,614	\$ 9,069,156	74.2%	\$11,783,848	77.0%
9/30/2011 ²	\$26,311,850	\$36,460,866	\$10,149,016	72.2%	\$13,276,695	76.4%

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

² Reflects changes in actuarial assumptions.

³ Reflects changes to interest smoothing methodology.

⁴ Reflects implementation of Board Funding Policy.

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012. Market Value of Assets as of September 30, 2013: \$29,100,162.

***Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2014***

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, 2014***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Housing and Urban Development</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CY CE PF 12 001
<u>U. S. Department of the Interior</u>		
<u>Direct Program</u>		
National Wildlife Refuge Fund	15.659	N/A
<u>U. S. Department of Justice</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Juvenile Accountability Block Grant	16.523	12-JB-15-003
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-DJ-01-024
Total U. S. Department of Justice		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Alabama Department of Transportation</u>		
Formula Grants for Rural Areas (M)	20.509	Section 5311
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)		
<u>Passed Through North Alabama Highway Safety Office</u>		
National Priority Safety Programs	20.616	14-SP-PT-001
National Priority Safety Programs	20.616	14-HS-M5-001
Sub-Total National Priority Safety Programs		
Total U. S. Department of Transportation		
<u>General Services Administration</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through North Alabama Regional Council of Governments</u>		
Special Programs for the Aging, Title III, Part C - Nutrition Services	93.045	N/A
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
09/12/2012-00/00/0000	\$ 325,000.00	\$ 250,000.00	\$ 19,380.80	\$ 19,380.80
10/01/2013-09/30/2014	16,783.00	16,783.00	16,783.00	16,783.00
10/01/2013-09/30/2014	22,000.01	19,800.00	19,800.00	19,800.00
10/01/2013-09/30/2014	116,613.64	87,640.01	87,474.33	87,474.33
	<u>138,613.65</u>	<u>107,440.01</u>	<u>107,274.33</u>	<u>107,274.33</u>
10/01/2013-09/30/2014	201,396.00	194,881.00	194,881.00	194,881.00
10/01/2013-09/30/2014	400,224.00	361,726.00	361,726.00	361,726.00
10/01/2013-09/30/2014	92,021.00	92,021.00	92,021.00	92,021.00
	<u>492,245.00</u>	<u>453,747.00</u>	<u>453,747.00</u>	<u>453,747.00</u>
10/01/2013-09/05/2014	15,000.00	15,000.00	11,262.22	11,262.22
10/01/2013-09/05/2014	20,000.00	20,000.00	16,829.95	16,829.95
	<u>35,000.00</u>	<u>35,000.00</u>	<u>28,092.17</u>	<u>28,092.17</u>
	<u>728,641.00</u>	<u>683,628.00</u>	<u>676,720.17</u>	<u>676,720.17</u>
10/01/2013-09/30/2014			9,923.54	9,923.54
10/01/2013-09/30/2014	<u>46,573.00</u>	<u>35,430.00</u>	<u>35,430.00</u>	<u>35,430.00</u>
	\$ 1,255,610.65	\$ 1,093,281.01	\$ 865,511.84	\$ 865,511.84

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>Executive Office of the President</u>		
<u>Passed Through Alabama Department of Public Safety</u>		
High Intensity Drug Trafficking Areas Program	95.001	N/A
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
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
Sub-Total Hazard Mitigation Grant		
Emergency Management Performance Grants	97.042	3EMS
Emergency Management Performance Grants	97.042	4EMA
Emergency Management Performance Grants	97.042	4EMF
Emergency Management Performance Grants	97.042	4EMS
Sub-Total Emergency Management Performance Grants		
<u>Passed Through Alabama Department of Homeland Security</u>		
Homeland Security Grant Program	97.067	3FIL
Total U. S. Department of Homeland Security		
<u>Other Federal Assistance</u>		
<u>Tennessee Valley Authority</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
Radiological Emergency Plans (M)	N/A	N/A
<u>U. S. Department of Justice</u>		
<u>Passed Through the U. S. Marshals Service</u>		
<u>Direct Program</u>		
Gulf Coast Regional Fugitive Task Force	N/A	JLEO-14-0435
Total Expenditures of Federal Awards		

(M) = Major Program

(N) = Non-Cash Assistance

N/A = Not Available or Not Applicable

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 1,255,610.65	\$ 1,093,281.01	\$ 865,511.84	\$ 865,511.84
10/01/2013-09/30/2014	16,522.83	16,522.83	16,522.83	16,522.83
08/02/2012-08/01/2015	143,412.00	103,138.00	10,664.91	10,664.91
08/02/2012-08/01/2015	158,264.00	101,495.00	8,000.00	8,000.00
09/20/2012-09/19/2015	136,215.00	98,296.00	7,669.38	7,669.38
10/05/2012-10/04/2015	31,477.00	20,086.00	2,775.00	2,775.00
12/05/2012-12/04/2015	135,803.00	96,413.00	16,000.00	16,000.00
	605,171.00	419,428.00	45,109.29	45,109.29
10/01/2012-12/31/2013	10,382.00	10,382.00	10,382.00	10,382.00
10/01/2013-09/30/2014	2,321.00	2,321.00	2,321.00	2,321.00
10/01/2013-09/30/2014	61,213.00	61,213.00	61,213.00	61,213.00
10/01/2013-09/30/2014	11,616.00	11,616.00	11,616.00	11,616.00
	85,532.00	85,532.00	85,532.00	85,532.00
10/08/2013-02/27/2015	21,872.73	21,872.73	12,980.26	12,980.26
	712,575.73	526,832.73	143,621.55	143,621.55
10/01/2013-09/30/2014	145,137.00	145,137.00	145,137.00	145,137.00
10/01/2013-09/30/2014	8,874.34	8,874.34	8,874.34	8,874.34
	\$ 2,138,720.55	\$ 1,790,647.91	\$ 1,179,667.56	\$ 1,179,667.56

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2014***

Note 1 – Basis of Presentation

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

Additional Information

Commission Members and Administrative Personnel
October 1, 2013 through September 30, 2014

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

Independent Auditor's Report

To: Members of the 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, 2014, 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 September 18, 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

September 18, 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, 2014. 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, 2014.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing 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

September 18, 2015

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

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

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.507	Federal Transit Formula Grants
20.509	Formula Grants to Rural Areas
N/A	Radiological Emergency Plans

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

Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings

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

May 21, 2015

Ms. April Purser
Examiner of Public Accounts
P.O. Box 302251
Montgomery, AL 36130-2251

Dear Ms. Purser:

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2014

As required by the Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 315(b), the Morgan County Commission has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2014.

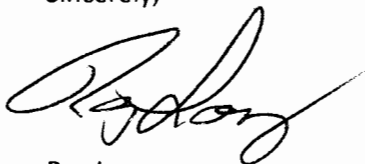
Finding Ref No.

Status of Prior Audit Finding

2013-001

Corrective Action is in progress. We are diligently working toward resolution on this matter.

Sincerely,



Ray Long
Chairman
Morgan County Commission