Report on the

Morgan County Commission

Morgan County, Alabama

October 1, 2014 through September 30, 2015

Filed: January 20, 2017

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

17-013

State of Alabama
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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, 2014 through September 30, 2015.

Sworn to and subscribed before me this
the 9th day of December, 2016.

Stephen J. Perry
Notary Public
MY COMMISSION EXPIRES OCT. 26, 2019

Sworn to and subscribed before me this
the 14th day of December, 2016.

Sharie E. Osmundo
Notary Public
COMMISSION EXPIRES:
June 27, 2019

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Respectfully submitted,

Denise H. Olive

Denise H. Olive
Examiner of Public Accounts

Stephen M. Schlosser

Stephen M. Schlosser
Examiner of Public Accounts

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Department of
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SUMMARY

Morgan County Commission
October 1, 2014 through September 30, 2015

The Morgan County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Morgan County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 18. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Morgan County.

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

An 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, 2015.

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 Members: Jeff Clark, Don Stisher, Greg Abercrombie, and Randy Vest; and representatives of the Department of Examiners of Public Accounts: Denise H. Olive, Examiner of Public Accounts, and Stephen M. Schlosser, 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, 2015, and the related notes to the financial statements, which collectively comprise the Morgan County Commission's basic financial statements 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, 2015, 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, 2015, the Morgan County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. 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), Schedule of Changes in the Net Pension Liability, Schedule of the Employer's Contributions, Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedule of Funding Progress (Exhibits 12 through 16), 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.

The Morgan County Commission has not presented a Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 17), 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 December 2, 2016, 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

December 2, 2016

Basic Financial Statements

Statement of Net Position
September 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	$ 14,032,673.57	$ 2,217,865.09	$ 16,250,538.66
Receivables (Note 4)	2,403,359.95	227,430.16	2,630,790.11
Ad Valorem Taxes Receivable	14,456,203.00		14,456,203.00
Prepaid Items	494,826.05		494,826.05
Total Current Assets	31,387,062.57	2,445,295.25	33,832,357.82
Noncurrent Assets			
Restricted Cash	6,753,752.54		6,753,752.54
Restricted Cash with Fiscal Agent	346,303.33		346,303.33
Capital Assets (Note 5):			
Nondepreciable	7,982,567.20		7,982,567.20
Depreciable, Net	47,109,770.63	3,010,001.88	50,119,772.51
Total Noncurrent Assets	62,192,393.70	3,010,001.88	65,202,395.58
Total Assets	93,579,456.27	5,455,297.13	99,034,753.40
Deferred Outflows of Resources			
Employer Pension Contributions	1,076,716.26	39,474.72	1,116,190.98
Total Deferred Outflows of Resources	1,076,716.26	39,474.72	1,116,190.98
Liabilities			
Current Liabilities			
Payables (Note 9)	1,854,649.76	72,621.55	1,927,271.31
Accrued Wages Payable	454,602.99	15,676.85	470,279.84
Unearned Revenue	347,192.25		347,192.25
Accrued Interest Payable	352,585.33	19,341.76	371,927.09
Long-Term Liabilities:			
Portion Payable Within One Year:			
Capital Leases Payable	159,945.97	500,600.95	660,546.92
Warrants Payable	1,705,000.00		1,705,000.00
Estimated Claims Costs Payable	164,230.50	7,656.39	171,886.89
Estimated Liability for			
Compensated Absences	308,378.79	7,569.52	315,948.31
Total Current Liabilities	$ 5,346,585.59	$ 623,467.02	$ 5,970,052.61

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

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities			
Portion Payable After One Year:			
Capital Leases Payable	$ 374,284.76	$ 514,906.13	$ 889,190.89
Warrants Payable	27,375,000.00		27,375,000.00
Estimated Liability for			
Compensated Absences	765,923.86	20,586.90	786,510.76
Other Postemployment Benefit Obligation	5,258,710.15	212,666.47	5,471,376.62
Net Pension Liability	8,797,547.08	324,754.92	9,122,302.00
Total Noncurrent Liabilities	42,571,465.85	1,072,914.42	43,644,380.27
Total Liabilities	47,918,051.44	1,696,381.44	49,614,432.88
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	14,456,203.00		14,456,203.00
Revenue Received in Advance -			
Motor Vehicle Taxes	923,500.94		923,500.94
Proportionate Share of Collective Deferred			
Inflows Related to Net Pension Liability	883,328.68	32,607.32	915,936.00
Total Deferred Inflows of Resources	16,263,032.62	32,607.32	16,295,639.94
Net Position			
Net Investment in Capital Assets	25,478,107.10	1,994,494.80	27,472,601.90
Restricted for:			
Debt Service	1,474,678.23		1,474,678.23
Law Enforcement	97,398.58		97,398.58
Highways and Roads	4,012,589.10		4,012,589.10
Capital Projects	5,307,261.07		5,307,261.07
Other Purposes	2,194,562.72		2,194,562.72
Unrestricted	(8,089,508.33)	1,771,288.29	(6,318,220.04)
Total Net Position	$ 30,475,088.47	$ 3,765,783.09	$ 34,240,871.56

Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues Charges for Services	Program Revenues Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	$ 9,027,332.35	$ 4,868,905.32	$ 222,366.30
Public Safety	17,236,519.69	947,482.81	5,604,024.97
Highways and Roads	7,894,656.69	191,013.93	4,054,273.14
Sanitation	224,910.14	197,528.00	
Health	707,910.06	70,650.00	7,545.72
Welfare	2,144,475.25	326,467.06	743,298.00
Culture and Recreation	1,430,396.63	164,384.56	
Education	268,461.05		
Interest and Fiscal Charges	789,904.78		
Total Governmental Activities	39,724,566.64	6,766,431.68	10,631,508.13
Business-Type Activities:			
Environmental Services	2,426,809.59	2,834,803.88	
Total Business-Type Activities	2,426,809.59	2,834,803.88	
Total Primary Government	$ 42,151,376.23	$ 9,601,235.56	$ 10,631,508.13

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
Gain on Sale of Capital Assets
Investment Earnings
Miscellaneous
Total General Revenues

Change in Net Position

Net Position - Beginning of Year, as Restated (Note 16)

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
$ 515,934.14	$ (3,420,126.59)	$	$ (3,420,126.59)
50,557.50	(10,634,454.41)		(10,634,454.41)
2,198,927.06	(1,450,442.56)		(1,450,442.56)
	(27,382.14)		(27,382.14)
	(629,714.34)		(629,714.34)
258,876.12	(815,834.07)		(815,834.07)
52,000.00	(1,214,012.07)		(1,214,012.07)
	(268,461.05)		(268,461.05)
	(789,904.78)		(789,904.78)
3,076,294.82	(19,250,332.01)		(19,250,332.01)
		407,994.29	407,994.29
		407,994.29	407,994.29
$ 3,076,294.82	(19,250,332.01)	407,994.29	(18,842,337.72)
	9,983,984.68		9,983,984.68
	6,290,857.97		6,290,857.97
	2,788,003.57		2,788,003.57
	490,214.94		490,214.94
	488,724.13		488,724.13
	38,710.63	11,641.59	50,352.22
	59,415.43	4,061.84	63,477.27
	399,129.20	1,115.27	400,244.47
	20,539,040.55	16,818.70	20,555,859.25
	1,288,708.54	424,812.99	1,713,521.53
	29,186,379.93	3,340,970.10	32,527,350.03
	$ 30,475,088.47	$ 3,765,783.09	$ 34,240,871.56

Balance Sheet
Governmental Funds
September 30, 2015

		General Fund		Gasoline Tax Fund
Assets				
Cash	$	6,270,982.78	$	710,203.95
Cash With Fiscal Agent				
Receivables (Note 4)		870,642.91		295,987.20
Ad Valorem Taxes Receivable		12,975,000.00		
Interfund Receivables		337,363.58		
Advances To Other Funds		60,000.00		
Prepaid Items		24,305.49		
Total Assets		20,538,294.76		1,006,191.15
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Payables (Note 9)		630,580.79		127,499.98
Interfund Payables		13,369.83		
Accrued Wages Payable		323,865.50		65,298.67
Advances From Other Funds				
Estimated Claims Cost Payable		122,146.52		23,259.92
Unearned Revenue		5,796.29		
Total Liabilities		1,095,758.93		216,058.57
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes		12,975,000.00		
Revenue Received in Advance - Motor Vehicle Taxes		923,500.94		
Total Deferred Inflows of Resources		13,898,500.94		
Fund Balances				
Nonspendable:				
Advances to Other Funds		60,000.00		
Prepaid Items		24,305.49		
Restricted for:				
Debt Service				
Law Enforcement				
Highways and Roads				
Capital Projects				
Other Purposes				
Assigned to:				
Industrial Development		131,765.05		
Highways and Roads				790,132.58
Other Purposes				
Unassigned		5,327,964.35		
Total Fund Balances		5,544,034.89		790,132.58
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	20,538,294.76	$	1,006,191.15

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

Jail Project Fund	Other Governmental Funds	Total Governmental Funds
$ 3,922,235.73	$ 9,883,003.65	$ 20,786,426.11
	346,303.33	346,303.33
	1,236,729.84	2,403,359.95
	1,481,203.00	14,456,203.00
	13,369.83	350,733.41
		60,000.00
	470,520.56	494,826.05
3,922,235.73	13,431,130.21	38,897,851.85
403,791.11	692,777.88	1,854,649.76
	337,363.58	350,733.41
	65,438.82	454,602.99
	60,000.00	60,000.00
	18,824.06	164,230.50
	341,395.96	347,192.25
403,791.11	1,515,800.30	3,231,408.91
	1,481,203.00	14,456,203.00
		923,500.94
	1,481,203.00	15,379,703.94
		60,000.00
	470,520.56	494,826.05
	1,827,263.56	1,827,263.56
	97,398.58	97,398.58
	4,012,589.10	4,012,589.10
3,518,444.62	1,788,816.45	5,307,261.07
	2,194,562.72	2,194,562.72
		131,765.05
		790,132.58
	42,975.94	42,975.94
		5,327,964.35
3,518,444.62	10,434,126.91	20,286,739.00
$ 3,922,235.73	$ 13,431,130.21	$ 38,897,851.85

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Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

Total Fund Balances - Governmental Funds (Exhibit 3)			$ 20,286,739.00
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:			55,092,337.83
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the governmental funds.			
Deferred Outflow Related to Defined Benefit Pension Plan		$ 1,076,716.26	
Deferred Inflow Related to Defined Benefit Pension Plan		(883,328.68)	
			193,387.58
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	$ 1,705,000.00	27,375,000.00	
Capital Leases Payable	159,945.97	374,284.76	
Compensated Absences	308,378.79	765,923.86	
Net Pension Liability		8,797,547.08	
Other Postemployment Benefit Obligation		5,258,710.15	
Total Long-Term Liabilities	$ 2,173,324.76	$ 42,571,465.85	(44,744,790.61)
Accrued interest payable is not available soon enough to pay for the current period's expenditures, and therefore is not shown in the funds.			(352,585.33)
Total Net Position - Governmental Activities (Exhibit 1)			$ 30,475,088.47

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, 2015

	General Fund	Gasoline Tax Fund
Revenues		
Taxes	$ 18,354,261.07	$
Licenses and Permits	215,119.76	
Intergovernmental	1,307,088.07	2,087,606.37
Charges for Services	5,106,054.42	
Miscellaneous	609,275.48	13,145.33
Total Revenues	25,591,798.80	2,100,751.70
Expenditures		
Current:		
General Government	6,910,431.95	
Public Safety	11,343,565.19	
Highways and Roads	68,537.00	4,312,923.57
Sanitation	196,766.48	
Health	474,231.78	
Welfare	421,466.48	
Culture and Recreation	1,032,256.37	
Education	268,461.05	
Capital Outlay	684,693.18	106,804.68
Debt Service:		
Principal	110,974.45	43,063.29
Interest and Fiscal Charges	20,050.39	4,451.75
Total Expenditures	21,531,434.32	4,467,243.29
Excess (Deficiency) of Revenues Over/(Under) Expenditures	4,060,364.48	(2,366,491.59)
Other Financing Sources (Uses)		
Transfers In	13,855.22	2,555,534.00
Sale of Capital Assets	14,041.00	24,669.63
Transfers Out	(4,794,381.12)	(75,000.00)
Total Other Financing Sources/Uses	(4,766,484.90)	2,505,203.63
Net Change in Fund Balances	(706,120.42)	138,712.04
Fund Balances - Beginning of Year	6,250,155.31	651,420.54
Fund Balances - End of Year	$ 5,544,034.89	$ 790,132.58

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

Jail Project Fund	Other Governmental Funds	Total Governmental Funds
$	$ 1,198,800.09	$ 19,553,061.16
	2,632.00	217,751.76
1,000,000.00	7,120,721.23	11,515,415.67
	3,822,263.73	8,928,318.15
9,155.84	128,441.16	760,017.81
1,009,155.84	12,272,858.21	40,974,564.55
	1,575,434.24	8,485,866.19
	4,667,387.39	16,010,952.58
	2,521,293.44	6,902,754.01
		196,766.48
	201,059.00	675,290.78
	1,340,680.94	1,762,147.42
	255,752.54	1,288,008.91
		268,461.05
2,060,429.22	2,528,355.06	5,380,282.14
	1,655,000.00	1,809,037.74
	779,226.26	803,728.40
2,060,429.22	15,524,188.87	43,583,295.70
(1,051,273.38)	(3,251,330.66)	(2,608,731.15)
	2,313,847.12	4,883,236.34
		38,710.63
	(13,855.22)	(4,883,236.34)
	2,299,991.90	38,710.63
(1,051,273.38)	(951,338.76)	(2,570,020.52)
4,569,718.00	11,385,465.67	22,856,759.52
$ 3,518,444.62	$ 10,434,126.91	$ 20,286,739.00

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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, 2015

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$ (2,570,020.52)
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 ($5,380,282.14) exceeds depreciation expense ($2,439,840.64) in the current period.		2,940,441.50
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.		1,809,037.74
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	$ 6,662.29	
Net Changes in Pension Expenses	(122,016.66)	
Net Increase in Other Postemployment Benefit Obligation	(789,219.44)	(904,573.81)
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.		13,823.63
Change in Net Position of Governmental Activities (Exhibit 2)		$ 1,288,708.54

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

Statement of Net Position
Proprietary Fund
September 30, 2015

	Enterprise Fund Environmental Services Fund
Assets	
Current Assets	
Cash and Cash Equivalents	$ 2,217,865.09
Receivables (Note 4)	227,430.16
Total Current Assets	2,445,295.25
Noncurrent Assets	
Capital Assets, Depreciable, Net (Note 5)	3,010,001.88
Total Noncurrent Assets	3,010,001.88
Total Assets	5,455,297.13
Deferred Outflows of Resources	
Deferred Employer Pension Contributions	39,474.72
Total Deferred Outflows of Resources	39,474.72
Liabilities	
Current Liabilities	
Payables (Note 9)	72,621.55
Accrued Wages Payable	15,676.85
Accrued Interest Payable	19,341.76
Estimated Claims Costs Liability	7,656.39
Capital Leases Payable	500,600.95
Estimated Liability for Compensated Absences	7,569.52
Total Current Liabilities	623,467.02
Noncurrent Liabilities	
Capital Leases Payable	514,906.13
Estimated Liability for Compensated Absences	20,586.90
Net Pension Liability	324,754.92
Other Postemployment Benefit Obligation	212,666.47
Total Noncurrent Liabilities	1,072,914.42
Total Liabilities	$ 1,696,381.44

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

	Enterprise Fund Environmental Services Fund
Deferred Inflows of Resources	
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	$ 32,607.32
Total Deferred Inflows of Resources	32,607.32
Net Position	
Net Investment in Capital Assets	1,994,494.80
Unrestricted	1,771,288.29
Total Net Position	$ 3,765,783.09

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2015

	Enterprise Fund Environmental Services Fund
Operating Revenues	
Charges for Services	$ 2,834,803.88
Total Operating Revenues	2,834,803.88
Operating Expenses	
Salaries and Benefits	769,422.97
Contractual and Professional Services	285,918.65
Materials and Supplies	246,553.13
Repairs and Maintenance	212,258.54
Rentals	4,450.16
Utilities	17,201.17
Insurance	18,239.67
Depreciation	296,908.97
Landfill Expenses	481,834.49
Miscellaneous	60,224.76
Total Operating Expenses	2,393,012.51
Operating Income (Loss)	441,791.37
Nonoperating Revenues (Expenses)	
Interest Revenue	4,061.84
Interest Expense	(33,797.08)
Gain on Disposal of Fixed Assets	11,641.59
Sale of Scrap Equipment	1,115.27
Total Nonoperating Revenue (Expenses)	(16,978.38)
Change in Net Position	424,812.99
Total Net Position - Beginning of Year, as Restated (Note 16)	3,340,970.10
Total Net Position - End of Year	$ 3,765,783.09

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, 2015

	Enterprise Fund Environmental Services Fund
Cash Flows from Operating Activities	
Receipts from Customers	$ 2,836,677.07
Payments to Suppliers	(1,309,706.68)
Payments to Employees	(725,884.05)
Net Cash Provided by Operating Activities	801,086.34
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	
Sale of Scrap Equipment	1,115.27
Payments on Capital Debt	(486,648.97)
Sale of Fixed Assets	12,363.29
Interest Paid on Capital Debt	(43,066.03)
Net Cash Provided by Capital and Related Financing Activities	(516,236.44)
Cash Flows from Investing Activities	
Interest and Dividends	4,061.84
Net Cash Provided by Investing Activities	4,061.84
Net Increase (Decrease) in Cash and Cash Equivalents	288,911.74
Cash and Cash Equivalents - Beginning of Year	1,928,953.35
Cash and Cash Equivalents - End of Year	2,217,865.09
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	441,791.37
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	296,908.97
Change in Assets and Liabilities:	
Receivables	1,873.19
Payables	16,973.89
Accrued Wages Payable	1,756.86
Estimated Claims Costs Liability	2,525.76
Estimated Liability for Compensated Absences	2,978.89
Deferred Inflows - Pensions	32,607.32
Deferred Outflows - Contributions	(3,104.72)
Net Pension Liability	(24,732.24)
Net Other Postemployment Benefit Obligations	31,507.05
Net Cash Provided by Operating Activities	$ 801,086.34

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

Statement of Fiduciary Net Position
September 30, 2015

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash	$ 769,119.54	$ 3,851,805.07
Receivables (Note 4)	4,038.93	3,243,815.32
Total Assets	773,158.47	7,095,620.39
Liabilities		
Payables (Note 9)	27,236.55	7,095,620.39
Total Liabilities	27,236.55	$ 7,095,620.39
Net Position		
Held in Trust for Other Purposes	745,921.92	
Total Net Position	$ 745,921.92	

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, 2015

	Private-Purpose Trust Funds
Additions	
Local Taxes and Fees	$ 187,755.33
Interest Earned	37.61
Miscellaneous	156,225.66
Total Additions	344,018.60
Deductions	
Administrative Expenses	421,517.16
Total Deductions	421,517.16
Change in Net Position	(77,498.56)
Net Position - Beginning of Year	823,420.48
Net Position - End of Year	$ 745,921.92

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

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Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Morgan County Commission is a general purpose local government governed by separately elected commissioners. Generally Accepted Accounting Principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

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

- ***Gasoline Tax Fund*** – This fund is used to account for the expenditures of the seven-cent state gasoline tax revenue for construction, improvement, maintenance, and supervision of highways, bridges, and streets.

- ***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.

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

Governmental Fund Types

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

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

- ***Capital Projects Funds*** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ***Private-Purpose Trust Funds*** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.

- ***Agency Funds*** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, 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.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end. Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property taxes is assessed for taxation 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 debt covenants. The debt service funds are used to segregate resources accumulated for debt service payments.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	$ 5,000	20 – 40 years
Equipment and Furniture	$ 5,000	5 – 20 years
Roads	$250,000	20 – 40 years
Bridges	$ 50,000	20 – 40 years

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

6. Deferred Outflows of Resources

Deferred outflow of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

7. 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.

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.

8. 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.

9. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund 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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

11. 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*** – 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. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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

- ***Nonspendable*** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.

- ***Restricted*** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

- ***Committed*** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

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

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

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

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

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

Note 3 – Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Note 4 – Receivables

On September 30, 2015, receivables for the Commission's individual major funds, other governmental funds and fiduciary funds in the aggregate are as follows:

Governmental Funds	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Receivables:				
Accounts Receivable	$ 69,419.07	$ 34,072.00	$ 51,340.33	$ 154,831.40
Intergovernmental	584,354.94	261,657.55	1,185,388.42	2,031,400.91
Other Receivables	216,868.90	257.65	1.09	217,127.64
Total Receivables	$870,642.91	$295,987.20	$1,236,729.84	$2,403,359.95

Proprietary Fund	Environmental Services Fund
Receivables:	
Accounts Receivable	$227,430.16
Total Receivables	$227,430.16

Fiduciary Funds	Private-Purpose Trust Funds	Agency Funds
Receivables:		
Accounts Receivable	$	$ 319.62
Intergovernmental	4,038.93	1,658,323.79
Sales Tax		1,585,171.91
Total Receivables	$4,038.93	$3,243,815.32

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance 10/01/2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 09/30/2015
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 3,066,299.61	$	$	$ 3,066,299.61
Infrastructure in Progress	2,230,172.93	2,044,656.58	(3,428,797.44)	846,032.07
Construction in Progress	1,428,167.25	2,835,147.48	(193,079.21)	4,070,235.52
Total Capital Assets, Not Being Depreciated	6,724,639.79	4,879,804.06	(3,621,876.65)	7,982,567.20
Capital Assets Being Depreciated:				
Infrastructure	19,725,506.15	3,428,797.44		23,154,303.59
Buildings	37,518,029.12	32,300.00		37,550,329.12
Improvements Other Than Buildings	2,995,712.96	621,702.33		3,617,415.29
Equipment and Furniture	16,188,003.55	468,178.08	(867,215.36)	15,788,966.27
Assets Under Capital Lease	1,004,252.29			1,004,252.29
Total Capital Assets Being Depreciated	77,431,504.07	4,550,977.85	(867,215.36)	81,115,266.56
Less Accumulated Depreciation for:				
Infrastructure	(5,100,307.96)	(444,029.20)		(5,544,337.16)
Buildings	(12,667,735.60)	(937,777.25)		(13,605,512.85)
Improvements Other Than Buildings	(1,513,904.86)	(119,857.37)		(1,633,762.23)
Equipment and Furniture	(12,331,823.59)	(837,751.50)	438,592.24	(12,730,982,85)
Assets Under Capital Lease	(390,475.52)	(100,425.32)		(490,900.84)
Total Accumulated Depreciation	(32,004,247.53)	(2,439,840.64)	438,592.24	(34,005,495.93)
Total Capital Assets Being Depreciated, Net	45,427,256.54	2,111,137.21	(428,623.12)	47,109,770.63
Total Governmental Activities Capital Assets, Net	$ 52,151,896.33	$ 6,990,941.27	$(4,050,499.77)	$ 55,092,337.83

Reclassifications from Infrastructure in Progress to Infrastructure of $3,428,797.44 and Construction in Progress to Improvements Other Than Buildings of $193,079.21 are included in the Addition and Deletions columns. Also, there was an adjustment of $428,623.12 from Equipment and Furniture to Improvements Other Than Buildings to correct prior year errors.

	Balance 10/01/2014	Additions	Deletions	Balance 09/30/2015
Business-Type Activities:				
Capital Assets Being Depreciated:				
Buildings	$ 1,584,936.71	$	$ (24,433.00)	$ 1,560,503.71
Improvements Other Than Buildings	29,567.30		(10,214.30)	19,353.00
Equipment and Furniture	1,725,101.07		(385,534.00)	1,339,567.07
Equipment Under Capital Lease	1,590,728.00			1,590,728.00
Total Capital Assets Being Depreciated	4,930,333.08		(420,181.30)	4,510,151.78
Less Accumulated Depreciation for:				
Buildings	(166,428.13)	(40,349.85)	23,924.00	(182,853.98)
Improvements Other Than Buildings	(9,974.71)	(1,478.40)	10,001.60	(1,451.51)
Equipment and Furniture	(1,048,615.64)	(96,007.89)	385,534.00	(759,089.53)
Equipment Under Capital Lease	(397,682.05)	(159,072.83)		(556,754.88)
Total Accumulated Depreciation	(1,622,700.53)	(296,908.97)	419,459.60	(1,500,149.90)
Total Capital Assets Being Depreciated, Net	3,307,632.55	(296,908.97)	(721.70)	3,010,001.88
Total Business-Type Activities Capital Assets, Net	$ 3,307,632.55	$(296,908.97)	$ (721.70)	$ 3,010,001.88

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 368,000.25
Public Safety	727,413.06
Highways and Roads	859,330.64
Sanitation	27,396.96
Health	23,394.92
Welfare	327,478.80
Culture and Recreation	106,826.01
Total Depreciation Expense – Governmental Activities	$2,439,840.64

	Current Year Depreciation Expense
Business-Type Activities:	
Sanitation	$296,908.97
Total Depreciation Expense – Business-Type Activities	$296,908.97

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, was established 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 the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

1) The Governor, ex-officio.
2) The State Treasurer, ex-officio.
3) The State Personnel Director, ex-officio.
4) The State Director of Finance, ex-officio.
5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex-officio trustee is the head.
6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
   a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
   b. Two vested active state employees.
   c. Two vested active employees of an employer participating in ERS pursuant to the ***Code of Alabama 1975***, Section 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active Members	55,883
Total	83,874

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the Commission's active employee contribution rate was 5.19 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 8.03 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2015 was 8.45% of pensionable pay for Tier 1 employees, and 6.15% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were $1,116,190.98 for the year ended September 30, 2015.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013, rolled forward to September 30, 2014, using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2013 (a)	$38,942,512
Entry Age Normal Cost for October 1, 2013 - September 30, 2014 (b)	1,131,991
Actual Benefit Payments and Refunds for October 1, 2013 - September 30, 2014 (c)	(2,395,328)
Total Pension Liability as of September 30, 2014 =[(a) x (1.08)] + (b) – [(c) x (1.04)]	$40,698,763

Actuarial Assumptions

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	3.75%-7.25%
Investment Rate of Return (*)	8.00%

(*) Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2013	$38,942,512	$29,125,457	$ 9,817,055
Changes for the Year:			
Service Cost	1,131,991		1,131,991
Interest	3,019,588		3,019,588
Contributions – Employer		1,021,795	(1,021,795)
Contributions – Employee		692,420	(692,420)
Net Investment Income		3,435,573	(3,435,573)
Benefit Payments, including Refunds of Employee Contributions	(2,395,328)	(2,395,328)	
Transfers among Employers		(303,456)	303,456
Net Changes	1,756,251	2,451,004	(694,753)
Balances at September 30, 2014	$40,698,763	$31,576,461	$ 9,122,302

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission's net pension liability calculated using the discount rate of 8%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Commission's net pension liability	$13,888,729	$9,122,302	$5,107,949

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

The ERS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the Commission recognized pension expense of $1,242,978. At September 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		915,936
Employer contributions subsequent to the measurement date	1,116,190.98	
Total	$1,116,190.98	$915,936

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2016	$228,984
2017	$228,984
2018	$228,984
2019	$228,984
2020	$
Thereafter	$

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, 2015. 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 2015, the Commission contributed $124,433.52 to cover approximately twenty-five participants. Plan members receiving benefits contribute $300.00 for family coverage cost and $200.00 for single coverage costs. For fiscal year 2015, total retired member contributions were $65,799.

C. Annual OPEB Cost

For fiscal year 2015, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, dental, and prescription drug insurance was $945,160. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2015	$ 945,160	13.17%	$5,471,377
09/30/2014	$1,017,234	7.42%	$4,650,650
09/30/2013	$1,017,234	12.37%	$3,708,916

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	$ 8,164,661
Actuarial Value of Plan Assets	$0.00
Unfunded Actuarial Accrued Liability (UAAL)	$ 8,164,661
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	$13,685,670
UAAL as a Percentage of Covered Payroll	59.66%

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

E. Actuarial Methods and Assumptions

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

The actuarial cost method used was the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included a 4% investment rate of return assumption and an annual healthcare cost trend rate of 9.0% 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	$8,350,000
West Park Addition	$ 100,178
Lacey Springs Senior Center	$ 197,904
District 3 Shop Building	$ 62,735

Note 9 – Payables

On September 30, 2015, payables for the Commission's individual major funds and other governmental funds in the aggregate are as follows:

	Accounts Payable	Due to Other Governments	Withholdings and Benefits	Total
Governmental Funds:				
General Fund	$ 606,413.55	$ 24,167.24	$	$ 630,580.79
Gasoline Tax Fund	107,499.98	20,000.00		127,499.98
Jail Project Fund	403,791.11			403,791.11
Other Governmental Funds	692,361.50	416.38		692,777.88
Total Governmental Funds	1,810,066.14	44,583.62		1,854,649.76
Business-Type Activities:				
Environmental Services Fund	72,621.55			72,621.55
Total Business-Type Activities	72,621.55			72,621.55
Fiduciary Funds:				
Private-Purpose Trust Funds	27,236.55			27,236.55
Agency Funds	6,393,451.05	326,484.90	375,684.44	7,095,620.39
Total Fiduciary Funds	$6,420,687.60	$326,484.90	$375,684.44	$7,122,856.94

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, 2015. 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, 2016	$178,539.88
2017	178,539.89
2018	118,896.31
2019	70,675.80
2020	29,199.60
Total Minimum Lease Payments	575,851.48
Less: Amount Representing Interest	(41,620.75)
Present Value of Net Minimum Lease Payments	$534,230.73

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, 2015. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Business-Type Activities
September 30, 2016	$ 529,715.00
2017	529,715.00
Total Minimum Lease Payments	1,059,430.00
Less: Amount Representing Interest	(43,922.92)
Present Value of Net Minimum Lease Payments	$1,015,507.08

Note 11 – Long-Term Debt

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

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

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

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.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2015:

	Debt Outstanding 10/01/2014	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
Governmental Activities					
Warrants Payable:					
General Obligation Series 2010	$ 1,960,000.00	$	$ (305,000.00)	$ 1,655,000.00	$ 315,000.00
General Obligation Series 2012	8,545,000.00		(770,000.00)	7,775,000.00	790,000.00
General Obligation Series 2013A	9,765,000.00		(150,000.00)	9,615,000.00	155,000.00
General Obligation Series 2013B	2,245,000.00		(25,000.00)	2,220,000.00	30,000.00
General Obligation Series 2014	8,220,000.00		(405,000.00)	7,815,000.00	415,000.00
Total Warrants Payable	30,735,000.00		(1,655,000.00)	29,080,000.00	1,705,000.00
Capital Leases Payable	688,268.47		(154,037.74)	534,230.73	159,945.97
Net Pension Liability	9,467,567.84		(670,020.76)	8,797,547.08	
Estimated Liability for Compensated Absences	1,080,964.94		(6,662.29)	1,074,302.65	308,378.79
Net OPEB Obligation	4,469,490.71	789,219.44		5,258,710.15	
Total Governmental Activities Long-Term Liabilities	46,441,291.96	789,219.44	(2,485,720.79)	44,744,790.61	2,173,324.76
Business-Type Activities					
Capital Leases Payable	1,502,156.05		(486,648.97)	1,015,507.08	500,600.95
Net Pension Liability	349,487.16		(24,732.24)	324,754.92	
Estimated Liability for Compensated Absences	25,177.53	2,978.89		28,156.42	7,569.52
Net OPEB Obligation	181,159.42	31,507.05		212,666.47	
Total Business-Type Activities Long-Term Liabilities	$ 2,057,980.16	$ 34,485.94	$ (511,381.21)	$ 1,581,084.89	$ 508,170.47

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 the General Fund.

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

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

	Series 2010 General Obligation Warrants		Series 2012 General Obligation Warrants		Series 2013A General Obligation Warrants	
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest
September30, 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	350,000.00	5,688.00	850,000.00	104,587.50	160,000.00	220,187.50
2021-2025			3,685,000.00	179,550.00	2,225,000.00	1,053,827.50
2026-2030					6,605,000.00	432,120.00
2031-2033						
Total	$1,655,000.00	$131,761.00	$7,775,000.00	$865,987.50	$9,615,000.00	$2,606,452.50

	Business-Type Activities Capital Leases Contracts Payable		Total Principal and Interest
Fiscal Year Ending	Principal	Interest	Requirements
September 30, 2016	$ 500,600.95	$29,114.05	$ 529,715.00
2017	514,906.13	14,808.87	529,715.00
Total	$1,015,507.08	$43,922.92	$1,059,430.00

Note 12 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through a commercial carrier. The Commission pays an annual premium based on the Commission's individual claims experience. Coverage is provided up to $1,000,000.00 per claim for a maximum total coverage of $2,000,000.00.

Series 2013B General Obligation Warrants		Series 2014 General Obligation Warrants		Capital Leases Contracts Payable		Total Principal and Interest
Principal	Interest	Principal	Interest	Principal	Interest	Requirements
$ 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
145,000.00	65,643.76	460,000.00	184,865.00	28,396.06	803.54	2,575,171.36
1,955,000.00	222,137.52	2,445,000.00	768,245.00			12,533,760.02
		2,230,000.00	392,787.50			9,659,907.50
		970,000.00	76,850.00			1,046,850.00
$2,220,000.00	$555,906.32	$7,815,000.00	$2,279,407.50	$534,230.73	$41,620.75	$36,095,366.30

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per $100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

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

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

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

Fiscal Years	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
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
2014-2015	$107,853.14	$3,669,173.75	$3,605,140.00	$171,886.89

<u>Note 13 – Interfund Transactions</u>

<u>Interfund Receivables/Payables</u>

Interfund receivables/payables at September 30, 2015, were as follows:

	Interfund Receivables		
	General Fund	Other Governmental Funds	Totals
Interfund Payables:			
General Fund	$	$13,369.83	$ 13,369.83
Other Governmental Funds	337,363.58		337,363.58
Totals	$337,363.58	$13,369.83	$350,733.41

Advances To/From Other Funds

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

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2015, were as follows:

	Operating Transfers Out			
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Totals
Operating Transfers In:				
General Fund	$	$	$13,855.22	$ 13,855.22
Gasoline Tax Fund	2,555,534.00			2,555,534.00
Other Governmental Funds	2,238,847.12	75,000.00		2,313,847.12
Totals	$4,794,381.12	$75,000.00	$13,855.22	$4,883,236.34

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

Note 14 – Related Organizations

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

Related Organizations
Decatur-Morgan County Port Authority
Northeast Morgan County Water and Fire Protection Authority
West Morgan East Lawrence Water and Sewer Authority
State Products Mart Authority
Public Parks and Recreation Board
Morgan County Commercial Development District

Note 15 – Subsequent Event

At the October 13, 2015 meeting, the Commission authorized the issuance of $3,060,000 in General Obligation Warrants, Series 2015. The purpose of the issuance is to fund jail and prison facilities. The warrants will bear interest at the rate of 2.25% to 4.00% with a final maturity date of April 1, 2030.

Note 16 – Restatements

In fiscal year 2015, the Morgan County Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions***. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Morgan County Commission's financial statements. For fiscal year 2015, the Morgan County Commission made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position in governmental activities and business-type activities. The result is a decrease in net position at October 1, 2014, of $8,795,260.

	Governmental Activities	Business-Type Activities
Governmental/Business-Type Activities Net Position September 30, 2014, as Previously Reported	$37,668,522.77	$3,654,087.26
Restatements:		
Net Pension Liability Due to Adoption of GASB Statement Number 68	(8,482,142.84)	(313,117.16)
Governmental/Business-Type Activities Net Position September 30, 2014, as Restated	$29,186,379.93	$3,340,970.10

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Required Supplementary Information

Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2015

	2015
Total pension liability	
Service cost	$ 1,131,991.00
Interest	3,019,588.00
Benefit payments, including refunds of employee contributions	(2,395,328.00)
Net change in total pension liability	1,756,251.00
Total pension liability - beginning	38,942,512.00
Total pension liability - ending (a)	$ 40,698,763.00
Plan fiduciary net position	
Contributions - employer	$ 1,021,795.00
Contributions - employee	692,420.00
Net investment income	3,435,573.00
Benefit payments, including refunds of employee contributions	(2,395,328.00)
Other (Transfers among employers)	(303,456.00)
Net change in plan fiduciary net position	2,451,004.00
Plan fiduciary net positions - beginning	29,125,457.00
Plan fiduciary net positions - ending (b)	$ 31,576,461.00
Commission's net pension liability - ending (a) - (b)	$ 9,122,302.00
Plan fiduciary net position as a percentage of the total pension liability	77.59%
Covered-employee payroll (*)	$ 13,153,379.37
Commission's net pension liability as a percentage of covered-employee payroll	69.35%

(*) Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is October 1, 2013 through September 30, 2014.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions
For the Year Ended September 30, 2015

	2015	2014
Actuarially determined contribution	$ 1,116,190.98	$ 1,021,795.00
Contributions in relation to the actuarially determined contribution	$ 1,116,190.98	$ 1,021,795.00
Contribution deficiency (excess)	$	$
Covered-employee payroll	$ 13,896,025.02	$ 13,153,379.37
Contributions as a percentage of covered-employee payroll	8.03%	7.77%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$ 13,403,311.00	$ 13,388,731.00	$ 13,467,708.28
Licenses and Permits	202,500.00	208,000.00	215,119.76
Intergovernmental	837,500.00	873,558.00	921,020.21
Charges for Services	4,888,346.00	4,888,346.00	4,983,283.89
Miscellaneous	473,470.00	557,265.00	560,591.68
Total Revenues	19,805,127.00	19,915,900.00	20,147,723.82
Expenditures			
Current:			
General Government	7,070,446.00	7,177,453.62	6,622,282.62
Public Safety	10,726,151.00	10,731,757.68	11,267,747.41
Highways and Roads			
Sanitation			
Health	482,775.00	497,417.94	474,231.78
Welfare	146,032.00	145,902.41	135,814.63
Culture and Recreation	111,000.00	111,000.00	111,000.00
Education	45,000.00	45,000.00	45,000.00
Capital Outlay			208,649.88
Debt Service:			
Principal	63,229.00	63,229.00	63,229.26
Interest	8,065.00	8,065.00	8,065.22
Total Expenditures	18,652,698.00	18,779,825.65	18,936,020.80
Excess (Deficiency) of Revenues Over Expenditures	1,152,429.00	1,136,074.35	1,211,703.02
Other Financing Sources (Uses)			
Transfers In	1,380,000.00	1,380,000.00	1,280,013.38
Sale of Capital Assets	15,000.00	15,000.00	11,420.00
Proceeds from Issuance of Long-Term Debt	20,000.00	20,000.00	
Transfers Out	(3,099,076.00)	(3,099,076.00)	(2,914,143.32)
Total Other Financing Sources (Uses)	(1,684,076.00)	(1,684,076.00)	(1,622,709.94)
Net Change in Fund Balances	(531,647.00)	(548,001.65)	(411,006.92)
Fund Balances - Beginning of Year	2,388,338.44	2,388,338.44	3,152,786.11
Fund Balances - End of Year	$ 1,856,691.44	$ 1,840,336.79	$ 2,741,779.19

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 4,886,552.79	$ 18,354,261.07
		215,119.76
(1)	386,067.86	1,307,088.07
(1)	122,770.53	5,106,054.42
(1)	48,683.80	609,275.48
	5,444,074.98	25,591,798.80
(2)	(288,149.33)	6,910,431.95
(2)	(75,817.78)	11,343,565.19
(2)	(68,537.00)	68,537.00
(2)	(196,766.48)	196,766.48
		474,231.78
(2)	(285,651.85)	421,466.48
(2)	(921,256.37)	1,032,256.37
(2)	(223,461.05)	268,461.05
(2)	(476,043.30)	684,693.18
(2)	(47,745.19)	110,974.45
(2)	(11,985.17)	20,050.39
	(2,595,413.52)	21,531,434.32
	2,848,661.46	4,060,364.48
(3)	(1,266,158.16)	13,855.22
(3)	2,621.00	14,041.00
(3)	(1,880,237.80)	(4,794,381.12)
	(3,143,774.96)	(4,766,484.90)
	(295,113.50)	(706,120.42)
(4)	3,097,369.20	6,250,155.31
	$ 2,802,255.70	$ 5,544,034.89

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended September 30, 2015

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

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

(1) Revenues		
Park and Recreation Fund	$	173,130.85
Flood Insurance Permit Fund		9.63
Morgan County Park West Fund		63.29
Morgan County Park East Fund		217.72
Morgan County Park South Fund		615.08
Morgan County Park North Fund		402.43
Public Buildings, Roads and Bridges Fund		4,947,536.78
Jack Maddox Industrial Park Fund		40.70
Rural Morgan County Industrial Development Fund		387.17
Industrial Fund		54.51
Hurricane Relief Grant Fund		0.28
Commission on Aging Fund		75,329.83
Disaster Relief Fund		1.49
Recycling Fund		200,213.26
Soil and Water Conservation Fund		46,071.96
(2) Expenditures		
Park and Recreation Fund		1,140,028.55
Public Buildings, Roads and Bridges Fund		677,842.49
Rural Morgan County Industrial Development Fund		239,386.71
Recycling Fund		196,766.48
Commission on Aging Fund		295,344.49
Soil and Water Conservation Fund		46,044.80
(3) Other Financing Sources/(Uses), Net		
Park and Recreation Fund		2,621.00
Public Buildings, Roads and Bridges Fund	$	(3,146,395.96)
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.

$	5,444,074.98
	(2,595,413.52)
	(3,143,774.96)
$	(295,113.50)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	**Final**	**Budgetary Basis**
Revenues			
Intergovernmental	$ 1,806,610.00	$ 1,806,610.00	$ 2,001,962.43
Miscellaneous	17,300.00	17,300.00	12,987.45
Total Revenues	1,823,910.00	1,823,910.00	2,014,949.88
Expenditures			
Current:			
Highways and Roads	4,493,122.00	4,493,122.00	4,312,923.57
Capital Outlay			106,804.68
Debt Service:			
Principal Retirement	43,063.00	43,063.00	43,063.29
Interest and Fiscal Charges	4,452.00	4,452.00	4,451.75
Total Expenditures	4,540,637.00	4,540,637.00	4,467,243.29
Excess (Deficiency) of Revenues Over Expenditures	(2,716,727.00)	(2,716,727.00)	(2,452,293.41)
Other Financing Sources (Uses)			
Transfers In	2,690,534.00	2,690,534.00	2,675,534.00
Sale of Capital Assets			24,669.63
Transfers Out	(75,000.00)	(75,000.00)	(75,000.00)
Total Other Financing Sources (Uses)	2,615,534.00	2,615,534.00	2,625,203.63
Net Change in Fund Balances	(101,193.00)	(101,193.00)	172,910.22
Fund Balances - Beginning of Year	1,348,529.76	1,348,529.76	611,123.19
Fund Balances - End of Year	$ 1,247,336.76	$ 1,247,336.76	$ 784,033.41

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 85,643.94	$ 2,087,606.37
(1)	157.88	13,145.33
	85,801.82	2,100,751.70
		4,312,923.57
		106,804.68
		43,063.29
		4,451.75
		4,467,243.29
	85,801.82	(2,366,491.59)
(2)	(120,000.00)	2,555,534.00
		24,669.63
		(75,000.00)
	(120,000.00)	2,505,203.63
	(34,198.18)	138,712.04
(3)	40,297.35	651,420.54
	$ 6,099.17	$ 790,132.58

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2015

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	$	85,801.82
(2) Other Financing Sources/(Uses)		
Severed Minerals Tax Fund	$	(120,000.00)
Net Decrease in Fund Balance - Budget to GAAP		

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

$	85,801.82
	(120,000.00)
$	(34,198.18)

Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2015

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]
10/01/2014	$0	$8,164,661	$8,164,661	0.0%	$13,685,670	59.66%
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%

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Housing and Urban Development		
Passed Through Alabama Department of		
Economic and Community Affairs		
Community Development Block Grants/State's Program		
and Non-Entitlement Grants in Hawaii (M)	14.228	CY CE PF 12 001
Total Department of Housing and Urban Development		
U. S. Department of the Interior		
Direct Program		
National Wildlife Refuge Fund	15.659	N/A
Passed Through Alabama Department of		
Economic and Community Affairs		
Outdoor Recreation Acquisition, Development and Planning	15.916	11-LW-964
Total Department of Interior		
U. S. Department of Justice		
Passed Through Alabama Department of		
Economic and Community Affairs		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14-DJ-01-020
Total U. S. Department of Justice		
U. S. Department of Transportation		
Passed Through Alabama Department of Transportation		
Formula Grants for Rural Areas	20.509	Section 5311
ARRA - Formula Grants for Rural Areas, Recovery Act	20.509	Section 5311
Sub-Total Formula Grants for Rural Areas (M)		
Federal Transit Formula Grants	20.507	Section 5307
ARRA - Federal Transit Formula Grants, Recovery Act	20.507	Section 5307
Sub-Total Federal Transit Formula Grants (M)		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
09/12/2012-03/03/2016	$ 325,000.00	$ 250,000.00	$ 229,671.32	$ 229,671.32
	325,000.00	250,000.00	229,671.32	229,671.32
10/01/2014-09/30/2015	16,783.00	16,783.00	16,783.00	16,783.00
08/23/2012-11/01/2014	100,000.00	50,000.00	50,000.00	50,000.00
	116,783.00	66,783.00	66,783.00	66,783.00
10/01/2014-09/30/2015	93,027.60	69,770.48	69,770.48	69,770.48
	93,027.60	69,770.48	69,770.48	69,770.48
10/01/2014-09/30/2015	652,914.00	184,577.00	184,577.00	184,577.00
10/01/2014-09/30/2015	29,828.00	29,828.00	29,828.00	29,828.00
	682,742.00	214,405.00	214,405.00	214,405.00
10/01/2014-09/30/2015	411,479.00	342,170.00	342,170.00	342,170.00
10/01/2014-09/30/2015	139,067.00	139,067.00	139,067.00	139,067.00
	550,546.00	481,237.00	481,237.00	481,237.00
	$ 1,768,098.60	$ 1,082,195.48	$ 1,061,866.80	$ 1,061,866.80

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Passed Through North Alabama Highway Safety Office		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	15-SP-PT-001
National Priority Safety Programs	20.616	15-HS-M5-001
Sub-Total Highway Safety Cluster		
Total U. S. Department of Transportation		
U. S. Department of Health and Human Services		
Passed Through North Alabama Regional Council of Governments		
Special Programs for the Aging, Title III, Part C - Nutrition Services	93.045	N/A
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	N/A
Total U. S. Department of Health and Human Services		
Executive Office of the President		
Passed Through the Alabama Department of Public Safety		
High Intensity Drug Trafficking Areas Program	95.001	N/A
General Services Administration		
Passed Through Alabama Department of Economic and Community Affairs		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
U. S. Department of Homeland Security		
Passed Through Alabama Emergency Management Agency		
Hazard Mitigation Grant	97.039	HMPG-1971-375
Emergency Management Performance Grants	97.042	5EMF
Passed Through Alabama Department of Homeland Security		
Homeland Security Grant Program	97.067	3FIL
Total U. S. Department of Homeland Security		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 1,768,098.60	$ 1,082,195.48	$ 1,061,866.80	$ 1,061,866.80
11/17/2014-09/09/2015	3,000.00	3,000.00	2,361.23	2,361.23
11/17/2014-09/09/2015	27,200.00	27,200.00	24,326.55	24,326.55
	30,200.00	30,200.00	26,687.78	26,687.78
	1,263,488.00	725,842.00	722,329.78	722,329.78
10/01/2014-09/30/2015	46,573.00	35,430.00	35,430.00	35,430.00
10/01/2014-09/30/2015	1,000.00	1,000.00	1,000.00	1,000.00
	47,573.00	36,430.00	36,430.00	36,430.00
10/01/2014-09/30/2015	7,270.40	7,270.40	7,270.40	7,270.40
10/01/2014-09/30/2015			36,960.22	36,960.22
09/19/2012-09/18/2015	89,870.00	67,403.00	56,175.00	56,175.00
10/01/2014-09/30/2015	61,213.00	61,213.00	61,213.00	61,213.00
10/08/2013-02/27/2015	21,872.73	21,872.73	7,330.00	7,330.00
	172,955.73	150,488.73	124,718.00	124,718.00
	$ 2,026,097.73	$ 1,306,584.61	$ 1,293,933.20	$ 1,293,933.20

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
Other Federal Assistance		
Tennessee Valley Authority		
Direct Program		
Radiological Emergency Plans	N/A	N/A
U. S. Department of Justice		
Passed Through U. S. Marshals Service		
Gulf Coast Regional Fugitive Task Force	N/A	JLEO-15-0435
Total Expenditures of Federal Awards		

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

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

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 2,026,097.73	$ 1,306,584.61	$ 1,293,933.20	$ 1,293,933.20
10/01/2014-09/30/2015	190,793.96	190,793.96	190,793.96	190,793.96
10/01/2014-09/30/2015	6,519.68	6,519.68	6,519.68	6,519.68
	$ 2,223,411.37	$ 1,503,898.25	$ 1,491,246.84	$ 1,491,246.84

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2015

Note 1 – Basis of Presentation

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

Note 2 – CDBG Program

The Commission received federal awards under the Community Development Block Grants/State's Program (CFDA #14.228). However, pursuant to instructions from the pass-through entity, the compliance requirements relative to the Community Development Block Grants/Entitlement Grants (CFDA #14.218) were used for testing.

Additional Information

Commission Members and Administrative Personnel
October 1, 2014 through September 30, 2015

Commission Members		Term Expires
Hon. Ray Long	Chairman	November 2016
Hon. Jeff Clark	Member	November 2018
Hon. Don Stisher	Member	November 2016
Hon. Greg Abercrombie	Member	November 2016
Hon. Randy Vest	Member	November 2018

Administrative Personnel

Belinda G. Ealey	Administrator	Indefinite

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

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, 2015, 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 December 2, 2016.

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

December 2, 2016

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, 2015. 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, 2015.

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.

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

December 2, 2016

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
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grant in Hawaii
20.507	Federal Transit Formula Grants
20.509	Formula Grants for Rural Areas

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

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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