Report on the

Marshall County Commission

Marshall County, Alabama

October 1, 2010 through September 30, 2011

Filed: May 24, 2013

Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner

13-053

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

Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, I submit this report on the results of the audit of the Marshall County Commission, Marshall County, Alabama, for the period October 1, 2010 through September 30, 2011.

Respectfully submitted,

Ashleigh O. Hamilton

Ashleigh O. Hamilton
Examiner of Public Accounts

Sworn to and subscribed before me this
the 6th day of May, 2013.

Rebecca M. Farmer
Notary Public

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My Comm. Exp. 12-29-14

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SUMMARY

Marshall County Commission
October 1, 2010 through September 30, 2011

The Marshall County Commission (the "Commission") is governed by a five-member body elected by the citizens of Marshall County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 13. 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 Marshall County.

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

An unqualified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2011.

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

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

A problem was found with the Commission's internal controls over financial reporting (Exhibit 16) and it is summarized below:

- 2011-01 relates to the Commission's failure to perform monthly bank reconciliations of their cash with fiscal agent bank accounts.

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: Nancy R. Wilson, former County Administrator; Shelly Fleisher, Interim County Administrator; James Hutcheson, Chairman; and Commissioners: William Stricklend, III; James Maze; Richard Kilgore; Tamey Hale; and Tim Bollinger. The following individuals attended the exit conference, held at the Commission's office: Shelly Fleisher, Interim County Administrator; James Hutcheson, Chairman; Commissioners: William Stricklend, III and Tamey Hale; and representatives of the Department of Examiners of Public Accounts: Randy O'Bannon, Audit Manager and Ashleigh O. Hamilton, Examiner of Public Accounts.

Independent Auditor’s Report

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the Marshall County Commission as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Marshall County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Marshall County Commission implemented GASB Statement Number 54, ***Fund Balance Reporting and Governmental Fund Type Definitions***, during the fiscal year ended September 30, 2011. This resulted in a change in the format and method of reporting fund balance in the basic financial statements.

In accordance with ***Government Auditing Standards***, we have also issued our report dated April 29, 2013 on our consideration of the Marshall County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The Marshall 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.

The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibit 9), and the Schedules of Funding Progress (Exhibits 10 and 11) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 12) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

April 29, 2013

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Basic Financial Statements

Statement of Net Assets
September 30, 2011

		Governmental Activities
Assets		
Cash and Cash Equivalents	$	8,320,387.43
Cash with Fiscal Agent		319,941.93
Investments		1,821,191.62
Receivables (Note 4)		7,505,232.20
Ad Valorem Taxes Receivable		7,267,198.31
Lease Receivable		469,598.78
Inventories		21,596.86
Prepaid Items		54,633.99
Deferred Charges		76,312.45
Capital Assets (Note 5):		
Nondepreciable		1,244,614.14
Depreciable, Net		15,971,592.20
Total Assets		43,072,299.91
Liabilities		
Payables		1,349,877.60
Deferred Revenue		7,738,012.09
Claims Costs Payable		137,795.00
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Notes Payable		10,678.62
Capital Lease Contracts Payable		264,460.85
Warrants Payable		280,000.00
Deferred Loss on Refunding		(28,077.08)
Unamortized Premium		23,283.22
Estimated Liability for Compensated Absences		45,345.08
Portion Due or Payable After One Year:		
Capital Lease Contracts Payable		510,871.00
Warrants Payable		5,180,000.00
Deferred Loss on Refunding		(255,033.43)
Unamortized Premium		210,832.16
Estimated Liability for Compensated Absences		408,105.67
Net OPEB Obligation		1,933,837.30
Total Liabilities	$	17,809,988.08

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

	Governmental Activities
Net Assets	
Invested in Capital Assets, Net of Related Debt	$ 11,095,503.45
Restricted for:	
Capital Projects	2,410,237.76
Road Projects	2,322,666.52
Debt Service	327,581.40
Other Purposes	972,599.66
Unrestricted	8,133,723.04
Total Net Assets	$ 25,262,311.83

Statement of Activities
For the Year Ended September 30, 2011

			Program Revenues	
Functions/Programs		**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Governmental Activities				
General Government		$ 6,276,171.86	$ 1,677,739.37	$ 1,104,204.83
Public Safety		12,073,065.79	5,800.00	5,959,861.99
Highways and Roads		4,927,838.79		3,566,911.53
Health		96,242.11		28,407.32
Welfare		580,138.17		247,909.47
Culture and Recreation		300,999.93	117,010.00	148,750.00
Education		63,750.00		
Interest on Long-Term Debt		135,203.78		
Intergovernmental		337,296.60		
Total Governmental Activities		$ 24,790,707.03	$ 1,800,549.37	$ 11,056,045.14
	General Revenues:			
	Taxes:			
	Property Taxes for General Purposes			
	Property Taxes for Specific Purposes			
	County Gasoline Sales Tax			
	Miscellaneous Taxes			
	TVA in Lieu of Taxes			
	Grants and Contributions not Restricted for Specific Programs			
	Interest Earned			
	Gain on Disposition of Capital Assets			
	Miscellaneous			
	Total General Revenues			
	Change in Net Assets			
	Net Assets - Beginning of Year			
	Net Assets - End of Year			

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities
$ 121,001.72	$ (3,373,225.94)
169,200.30	(5,938,203.50)
	(1,360,927.26)
	(67,834.79)
	(332,228.70)
	(35,239.93)
	(63,750.00)
	(135,203.78)
	(337,296.60)
$ 290,202.02	(11,643,910.50)
	5,093,579.27
	4,059,939.38
	491,957.64
	884,008.25
	2,215,947.47
	570,264.09
	34,925.11
	137,693.58
	855,516.30
	14,343,831.09
	2,699,920.59
	22,562,391.24
	$ 25,262,311.83

Balance Sheet
Governmental Funds
September 30, 2011

		General Fund		Disaster Fund
Assets				
Cash and Cash Equivalents	$	2,278,625.52	$	
Cash with Fiscal Agent				
Investments		1,821,191.62		
Receivables (Note 4)		2,238,222.29		4,554,545.59
Ad Valorem Taxes Receivable		6,160,695.72		
Interfund Receivables		5,278,659.48		
Lease Receivable		620.00		
Inventories		21,596.86		
Prepaid Items		54,633.99		
Total Assets		17,854,245.48		4,554,545.59
Liabilities and Fund Balances				
Liabilities				
Payables		1,118,472.70		2,407.50
Interfund Payables				5,125,393.55
Deferred Revenue		6,161,910.72		
Claims Cost Payable		137,795.00		
Total Liabilities		7,418,178.42		5,127,801.05
Fund Balances				
Nonspendable:				
Prepaid Items		54,633.99		
Inventories		21,596.86		
Restricted for:				
Road Projects				
Capital Projects				
Debt Service				
Local Officials				
Other Purposes		297,207.90		
Assigned to:				
Road Projects				
Capital Projects				
Other Purposes		199.86		
Unassigned		10,062,428.45		(573,255.46)
Total Fund Balances		10,436,067.06		(573,255.46)
Total Liabilities and Fund Balances	$	17,854,245.48	$	4,554,545.59

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

Other Governmental Funds	Total Governmental Funds
$ 6,041,761.91	$ 8,320,387.43
319,941.93	319,941.93
	1,821,191.62
712,464.32	7,505,232.20
1,106,502.59	7,267,198.31
	5,278,659.48
468,978.78	469,598.78
	21,596.86
	54,633.99
8,649,649.53	31,058,440.60
228,997.40	1,349,877.60
153,265.93	5,278,659.48
1,576,101.37	7,738,012.09
	137,795.00
1,958,364.70	14,504,344.17
	54,633.99
	21,596.86
2,322,666.52	2,322,666.52
2,410,237.76	2,410,237.76
327,581.40	327,581.40
183,938.69	183,938.69
491,453.07	788,660.97
880,741.94	880,741.94
43,159.80	43,159.80
32,224.45	32,424.31
(718.80)	9,488,454.19
6,691,284.83	16,554,096.43
$ 8,649,649.53	$ 31,058,440.60

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

Total Fund Balances - Governmental Funds (Exhibit 3)					$ 16,554,096.43
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:					
Capital assets used in Governmental Activities are not financial resources and therefore are not reported as assets in Governmental Funds. (See Note 5)					
Nondepreciable			$	1,244,614.14	
Depreciable, Net				15,971,592.20	
					17,216,206.34
Debt issuance costs are reported as current expenditures in the funds. However, issuance costs are deferred and amortized over the life of the bonds and are included in the Statement of Net Assets.					
Deferred Charges					76,312.45
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:					
	Due or Payable Within One Year		Due or Payable After One Year		
Warrants Payable	$ 280,000.00		$ 5,180,000.00		
Deferred Loss on Refunding	(28,077.08)		(255,033.43)		
Unamortized Premium	23,283.22		210,832.16		
Notes Payable	10,678.62				
Capital Lease Contracts Payable	264,460.85		510,871.00		
Estimated Liability for Compensated Absences	45,345.08		408,105.67		
Net OPEB Obligation			1,933,837.30		
Total Long-Term Liabilities	$ 595,690.69		$ 7,988,612.70		(8,584,303.39)
Total Net Assets - Governmental Activities (Exhibit 1)					$ 25,262,311.83

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2011

	General Fund	Disaster Fund
Revenues		
Taxes	$ 8,176,934.59	$
Licenses and Permits	107,617.09	
Intergovernmental	3,277,655.36	4,933,805.16
Charges for Services	1,681,532.63	
Miscellaneous	606,730.95	
Total Revenues	13,850,470.62	4,933,805.16
Expenditures		
Current:		
General Government	3,872,080.31	
Public Safety	5,027,539.43	5,507,060.62
Highways and Roads	1,213,480.66	
Health	95,900.31	
Welfare	255,874.98	
Culture and Recreation	137,657.17	
Education	63,750.00	
Capital Outlay	298,468.31	
Debt Service:		
Principal Retirement	287,606.21	
Interest and Fiscal Charges	33,516.04	
Debt Issuance Costs		
Other Debt Service		
Intergovernmental	314,946.60	
Total Expenditures	11,600,820.02	5,507,060.62
Excess (Deficiency) of Revenues Over Expenditures	2,249,650.60	(573,255.46)
Other Financing Sources (Uses)		
Transfers In	48,016.13	
Sale of Capital Assets	102,814.75	
Issuance of Long-Term Debt		
Premiums on Debt Issued		
Payments to Escrow Agent for Refunded Debt		
Transfers Out	(566,348.87)	
Total Other Financing Sources (Uses)	(415,517.99)	
Net Changes in Fund Balances	1,834,132.61	(573,255.46)
Fund Balances - Beginning of Year, as Restated (Note 15)	8,601,934.45	
Fund Balances - End of Year	$ 10,436,067.06	$ (573,255.46)

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

Other Governmental Funds	Total Governmental Funds
$ 2,352,549.95	$ 10,529,484.54
	107,617.09
5,883,028.27	14,094,488.79
260,012.31	1,941,544.94
73,067.73	679,798.68
8,568,658.26	27,352,934.04
1,927,923.56	5,800,003.87
1,141,501.11	11,676,101.16
3,010,360.47	4,223,841.13
	95,900.31
311,711.97	567,586.95
155,341.93	292,999.10
	63,750.00
328,007.49	626,475.80
424,086.51	711,692.72
215,193.71	248,709.75
83,249.95	83,249.95
2,572.50	2,572.50
22,350.00	337,296.60
7,622,299.20	24,730,179.84
946,359.06	2,622,754.20
566,348.87	614,365.00
66,625.99	169,440.74
5,160,000.00	5,160,000.00
255,398.60	255,398.60
(5,328,847.83)	(5,328,847.83)
(48,016.13)	(614,365.00)
671,509.50	255,991.51
1,617,868.56	2,878,745.71
5,073,416.27	13,675,350.72
$ 6,691,284.83	$ 16,554,096.43

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2011

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)		$ 2,878,745.71
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differed from depreciation in the current period.		
Capital Outlay Expenditures	$ 626,475.80	
Depreciation Expense	(1,472,312.00)	
		(845,836.20)
Debt proceeds provide current financial resources in governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Debt Issued:		
Warrants	$ (5,160,000.00)	
Premiums on Warrant Issued	(255,398.60)	
Issuance Costs on Warrants	83,249.95	
Repayments:		
Payments to Refunding Escrow Agent	5,328,847.83	
Warrants Payable	365,000.00	
Capital Lease Payable	315,327.03	
Notes Payable	31,365.69	
		708,391.90

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

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These items consist of:

Net Increase in OPEB Obligation	$ (92,047.30)	
Net Increase in Compensated Absences	(22,273.23)	
Amortization of Deferred Charges	(6,937.50)	
Amortization of Deferred Loss on Refunding	(25,737.32)	
Amortization of Premiums	21,283.22	
Net Decrease in Accrued Interest Payable	116,078.47	
		(9,633.66)
In the Statement of Activities, only the Gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the changes in net assets differs from the change in fund balance by the cost of the capital assets sold.		(31,747.16)
Change in Net Assets of Governmental Activities (Exhibit 2)		$ 2,699,920.59

Statement of Fiduciary Net Assets
September 30, 2011

		Private-Purpose Trust Funds		Agency Funds
Assets				
Cash and Cash Equivalents	$	364,202.31	$	1,057,067.97
Receivables (Note 4)		23,315.51		
Prepaid Items		250.00		
Total Assets		387,767.82		1,057,067.97
Liabilities				
Payable to External Parties		262,379.22		1,057,067.97
Total Liabilities		262,379.22	$	1,057,067.97
Net Assets				
Held in Trust for Other Purposes		125,388.60		
Total Net Assets	$	125,388.60		

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

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

		Private-Purpose Trust Funds
Additions		
Contributions from:		
Worthless Check Collection Service Charges	$	209,048.22
State Grants		72,554.12
Child Protection		35,382.42
Miscellaneous		11,882.39
Interest		121.09
Total Additions		328,988.24
Deductions		
Administrative Expenses		278,940.80
Total Deductions		278,940.80
Change in Net Assets		50,047.44
Net Assets - Beginning of Year		75,341.16
Net Assets - End of Year	$	125,388.60

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

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Marshall 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 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 upon the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 and fiduciary – are presented. The emphasis of fund financial statements is on major governmental 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. The general fund also accounts for employee health insurance to self-insure the Commission against liability claims. Additionally, the fund is used to report the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges.

♦ ***Disaster Fund*** – This fund is used to account for expenditures relating to Marshall County's recovery from the tornadoes that struck Alabama on April 27, 2011 and to the corresponding federal and state grant revenues received from the Alabama Emergency Management Agency.

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 specific 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.

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 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.

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, 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.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

1. Deposits and Investments

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

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

Investments are reported at fair value.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end.

Sales, rental, gas, tobacco and lodging taxes receivables consist of taxes that have been paid by consumers in September. These taxes are 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 are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

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

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. 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.

5. Restricted Assets

Included in cash on the balance sheet are assets which are restricted. Certain resources set aside for general obligation warrant repayment are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

6. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads and bridges), are reported 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.

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 are as follows:

	Capitalization Threshold	Estimated Useful Life
Roads	$250,000	20 – 50 years
Bridges	$ 50,000	40 years
Land Improvements – Exhaustible	$100,000	25 years
Buildings	$ 50,000	40 years
Equipment and Furniture	$ 5,000	5 years
Equipment Under Capital Lease	$ 5,000	5 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.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Warrant premiums, as well as issuance costs, are deferred and amortized over the life of the warrants. Warrants payable are reported net of the applicable warrant premium. Warrant issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. 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, annual and compensatory leave. The Marshall County Personnel Board establishes rules and regulations governing leaves of absence as provided under Act Number 82-206, Acts of Alabama, page 242.

Annual Leave

All employees accrue annual leave, with pay, based upon total service and may accumulate a maximum of 300 hours of annual leave. Upon termination of employment in good standing, the employees are paid for all unused annual leave accumulated during the anniversary year of such employee termination.

Sick Leave

All employees, after one (1) month of service, are eligible for paid sick leave at the rate of one (1) workday per month of continuous employment. Unused sick leave credits may be accumulated and carried over into successive fiscal years up to 120 days. All unused sick leave is forfeited upon separation and is not compensated to the employee, except in the case of retirement when an employee may be compensated for one-half of his/her accumulated sick leave.

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Generally employees in public safety activity, emergency response activity, or seasonal activity may accumulate 480 hours, all other employees 240 hours maximum. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory leave is calculated at one and one-half times the regular hours.

The Commission uses the termination method to accrue its sick leave liability. Under this method an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

9. Net Assets/Fund Equity

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

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

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

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

Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

- ***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 or its designee makes the determination of the assigned amounts 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.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Commission to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Commission that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of salaries and benefits which are budgeted only the extent expected to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes which are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. All other governmental funds are budgeted on a basis of accounting consistent with GAAP. Capital projects funds adopt project-length budgets. All appropriations lapse at fiscal year-end.

The State Legislature enacted Act Number 616, Acts of Alabama 1976 and then provided further under Act Number 79-466, Acts of Alabama, the statutory basis for the county budgeting operations for the Marshall County Commission. Under the terms of these laws, the Commission, at some meeting in September of each year, but in any event not later than the first meeting in October must estimate the Commission's revenues and expenditures and appropriate for the various purposes the respective accounts that are to be used for each purpose. The appropriations must not exceed the total revenues available for appropriation. 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.

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2011, the following governmental funds had a deficit fund balance:

Disaster Fund	$573,255.46
EOC ALDHS-11-1096 Fund	$ 718.80

The deficit in the Disaster Fund occurred as a result of local matching revenues not transferred to the fund as of the end of the fiscal year. The Commission intends on transferring amounts from the General Fund once the grant is completely closed out to cover any deficit balances. Fund deficits in the EOC ALDHS-11-1096 fund will be eliminated in the subsequent fiscal year when corresponding grant revenues become available.

Note 3 – Deposits and Investments

A. Deposits

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

All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

B. Cash with Fiscal Agent

The ***Code of Alabama 1975***, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

The Commission adopted a Deposit and Investment Policy that requires all deposits to be placed in checking accounts or money market accounts covered by the SAFE Act for investments. Also, the Commission authorized investments in certificates of deposit that are covered by the SAFE Act and United States Treasury Notes.

As of September 30, 2011, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity
Federated U. S. Treasury Cash Reserves	$319,941.93	Within One Year

The Federated U. S. Treasury Cash Reserves primarily invests in U. S. Treasury Obligations with an average maturity date of 90 days or less. The Fund is rated AAAm by Standard and Poor's and Aaa-mf by Moody's.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. The Commission does not have a formal investment policy that limits the amount of exposure to credit risk. As of September 30, 2011, the Commission's investments in money market fund were rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service, Inc.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties. The funds transferred to meet the Commission's annual debt service requirements are invested until payments are made.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have an investment policy, which limits the amount of exposure to this risk.

Note 4 – Receivables

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

Governmental	General Fund	Disaster Fund	Other Governmental Funds	Total
Accounts Receivable	$ 9,248.49	$	$ 61,359.04	$ 70,607.53
Due from Other Governments	2,228,973.80	4,554,545.59	651,105.28	7,434,624.67
Total	$2,238,222.29	$4,554,545.59	$712,464.32	$7,505,232.20

Fiduciary Funds	Private-Purpose Trust Funds	Total
Due from Other Governments	$23,315.51	$23,315.51
Total	$23,315.51	$23,315.51

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes Receivable	$7,267,198.31	$
Lease Receivable		469,598.78
Prepaid Retiree Insurance Payments		1,215.00
Total Deferred/Unearned Revenue for Governmental Funds	$7,267,198.31	$470,813.78

Note 5 – Capital Assets

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

	Balance 10/01/2010	Additions (*)	Deletions (*)	Balance 09/30/2011
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements	$ 1,204,894.50	$	$	$ 1,204,894.50
Construction in Progress	1,050.00	38,669.64		39,719.64
Total Capital Assets, Not Being Depreciated	1,205,944.50	38,669.64		1,244,614.14
Capital Assets Being Depreciated:				
Infrastructure – Bridges	6,025,656.31			6,025,656.31
Infrastructure – Roads	2,320,231.00			2,320,231.00
Buildings and Improvements	12,559,260.00			12,559,260.00
Motor Vehicles, Furniture and Equipment	9,616,669.49	704,806.16	(583,080.16)	9,738,395.49
Equipment Under Capital Lease	1,192,959.40		(117,000.00)	1,075,959.40
Total Capital Assets Being Depreciated	31,714,776.20	704,806.16	(700,080.16)	31,719,502.20
Less: Accumulated Depreciation for:				
Infrastructure – Bridges	(1,456,632.00)	(150,643.00)		(1,607,275.00)
Infrastructure – Roads	(638,988.00)	(27,002.00)		(665,990.00)
Buildings and Improvements	(5,735,163.00)	(314,003.00)		(6,049,166.00)
Motor Vehicles, Furniture and Equipment	(6,874,554.00)	(893,750.00)	551,333.00	(7,216,971.00)
Equipment Under Capital Lease	(121,594.00)	(127,864.00)	40,950.00	(208,508.00)
Total Accumulated Depreciation	(14,826,931.00)	(1,513,262.00)	592,283.00	(15,747,910.00)
Total Capital Assets Being Depreciated, Net	16,887,845.20	(808,455.84)	(107,797.16)	15,971,592.20
Total Governmental Activities Capital Assets, Net	$ 18,093,789.70	$ (769,786.20)	$(107,797.16)	$ 17,216,206.34

(*) Included in the Additions and Deletions columns are reclassifications of equipment under capital lease and the related accumulated depreciation totaling $117,000.00 and $40,950.00, respectively.

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 400,356.00
Public Safety	370,239.00
Highway and Roads	683,779.00
Welfare	10,445.00
Culture and Recreation	7,493.00
Total Depreciation Expense – Governmental Activities	$1,472,312.00

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

B. Funding Policy

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2011 was 8.74 percent based on the actuarial valuation performed as of September 30, 2008.

C. Annual Pension Cost

For the year ended September 30, 2011, the Commission's annual pension cost of $600,507.98 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2010, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2010 was 30 years.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2011	$600,508	100%	$0
09/30/2010	$552,614	100%	$0
09/30/2009	$506,440	100%	$0

D. Funded Status and Funding Progress

As of September 30, 2010, the most recent actuarial valuation date, the plan was 71.4 percent funded. The actuarial accrued liability for benefits was $22,176,386 and the actuarial value of assets was $15,840,494, resulting in an unfunded actuarial accrued liability (UAAL) of $6,335,892. The covered payroll (annual payroll of active employees covered by the plan) was $7,152,782, and the ratio of the UAAL to the covered payroll was 88.6 percent.

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

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Marshall County Commission provides a single-employer defined benefit medical, drug, dental and life insurance plan for eligible retirees and their spouses. The medical insurance plan covers both active and retired members. The ***Code of Alabama 1975***, Sections 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report.

B. Funding Policy

The Commission's contributions were on a pay-as-you-go basis as of September 30, 2011. The Commission does not anticipate setting up a trust fund to fund its postemployment medical and life insurance plans.

The Commission contributes $867.14 of the cost of current monthly premiums for eligible retirees for medical benefits for retirees less than 65 years of age. Retirees over 65 years of age are eligible for the Blue Cross Blue Shield of Alabama's C Plus Medicare Supplement Plan. With this plan, the Commission contributes $125 of cost of current monthly premiums for eligible retirees and $204 of cost of current monthly premiums for eligible disabled retirees. For fiscal year 2011, the Commission contributed $356,795.14 to cover approximately seventy-one participants.

Retired employees also may elect to participate in a life insurance plan. The Commission pays $2.30 to $4.60 per month for retirees depending on the age of the retiree. The Commission's expenditures for retirees' life insurance for the year ending September 30, 2011, to cover approximately seventy-one participants, totaled $2,924.06.

C. Annual OPEB Cost

For fiscal year 2011, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, drug, dental and life insurance was $920,895.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 920,895.00	39.06%	$1,933,837.30
2010	$ 920,895.00	66.76%	$1,372,691.50
2009	$1,630,494.00	34.58%	$1,066,632.71

The recent actuarial valuation as of September 30, 2010 for the Commission's other postemployment benefits reflects a significant decrease in the actuarial accrued liability from the previous actuarial valuation for September 30, 2008. The actuarial accrued liability decreased from $21,042,415 to $9,119,900 based on this latest actuarial valuation. Since the previous valuation, the County's policy has been changed to move Medicare eligible retirees from the County's self-insured health plan to Blue Cross Blue Shield of Alabama's C-Plus Plan.

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2010, was as follows:

Actuarial Accrued Liability (AAL)	$9,119,900.00
Actuarial Value of Plan Assets	$0.00
Unfunded Actuarial Accrued Liability (UAAL)	$9,119,900.00
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	$5,614,521.00
UAAL as a Percentage of Covered Payroll	162.43%

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, presents 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 method. The actuarial assumptions included a four percent investment return assumption and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5.0% after ten years. It was assumed that 100% percent 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 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Marshall County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2011 amounted to $16,550.47.

The Commission is a defendant in various lawsuits. Management is unable to predict the outcome of the litigation but believes it has strong grounds upon which to defend these proceedings. Accordingly, no provisions for possible loss, if any, are included in the financial statements.

Note 9 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $1,075,959.40 for governmental activities at September 30, 2011. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2011.

Fiscal Year Ending	Governmental Activities
September 30, 2012	$289,148.56
2013	267,864.37
2014	267,864.37
Total Minimum Lease Payments	824,877.30
Less: Amount Representing Interest	(49,545.45)
Present Value of Net Minimum Lease Payments	$775,331.85

Note 10 – Long-Term Debt

In December 2001, the Commission issued General Obligation Warrants, Series 2001, for capital improvements and to refund the Commission's General Obligation Warrants, Series 1990-A and 1990-B, and its General Obligation Refunding Warrants, Series 1993.

In June 2003, the Commission issued General Obligation Warrants/U.S.D.A. Loan for the purchase of a building to provide a public daycare center. On June 11, 2003, a lease agreement was entered into between the Commission and the Childcare Resource Network, Inc., for rental payments on the building. A lease receivable of $469,598.78 is reflected in the financial statements at September 30, 2011. This amount is due and payable in excess of one year.

On November 1, 2010, the Commission issued General Obligation Warrants, Series 2010-A in the amount of $5,160,000.00 to refund General Obligation Warrants, Series 2001.

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

	Debt Outstanding 10/01/2010	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2011	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Warrants:					
Series 2001	$5,375,000.00	$5,160,000.00	$(5,375,000.00)	$	$
Series 2010-A				5,160,000.00	270,000.00
U.S.D.A. Warrant/Loan	310,000.00		(10,000.00)	300,000.00	10,000.00
Sub-Total	5,685,000.00	5,160,000.00	(5,385,000.00)	5,460,000.00	280,000.00
Deferred Loss on Refunding		(308,847.83)	25,737.32	(283,110.51)	(28,077.08)
Unamortized Premium		255,398.60	(21,283.22)	234,115.38	23,283.22
Total Warrants Payable	5,685,000.00	5,106,550.77	(5,380,545.90)	5,411,004.87	275,206.14
Other Liabilities:					
Capital Lease Contracts Payable	1,090,658.88		(315,327.03)	775,331.85	264,460.85
Notes Payable	42,044.31		(31,365.69)	10,678.62	10,678.62
Estimated Liability for Compensated Absences	431,177.52	22,273.23		453,450.75	45,345.08
Net OPEB Obligation	1,841,790.00	92,047.30		1,933,837.30	
Total Governmental Activities Long-Term Liabilities	$9,090,670.71	$5,220,871.30	$(5,727,238.62)	$8,584,303.39	$595,690.69

Payments on the warrants payable were made from the Debt Service Funds. These payments were made from transfers from the General Fund. In addition, the long-term notes payable are paid from the General Fund. The capital lease contracts payable are paid from the General Fund and from the Gasoline Tax Fund.

The compensated absences liability will be liquidated by several of the Commission's governmental funds. In the past, approximately 59% has been paid by the General Fund, 25% by the Gasoline Tax Fund, and the remainder by the other governmental funds.

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

	General Obligation Warrants Series 2010-A		General Obligation Warrants/U.S.D.A. Loan	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2012	$ 270,000.00	$ 157,000.00	$ 10,000.00	$ 13,500.00
2013	430,000.00	150,000.00	10,000.00	13,050.00
2014	440,000.00	141,300.00	10,000.00	12,600.00
2015	450,000.00	130,150.00	10,000.00	12,150.00
2016	465,000.00	116,425.00	10,000.00	11,700.00
2017-2021	2,540,000.00	351,325.00	50,000.00	51,750.00
2022-2026	565,000.00	11,300.00	75,000.00	38,250.00
2027-2031			85,000.00	21,150.00
2032-2033			40,000.00	2,700.00
Total	$5,160,000.00	$1,057,500.00	$300,000.00	$176,850.00

Warrant Issuance Costs, Deferred Charges on Refunding, and Premium

The Commission had warrant issuance costs, as well as warrant premium and deferred loss on refunding, in connection with the issuance of its 2010-A General Obligation Warrants. The issuance costs, warrant premium, and deferred loss are being amortized using the straight-line method.

	Issuance Costs	Premiums	Deferred Loss on Refunding
Balance Issuance Costs and Premium	$83,249.95	$255,398.60	$308,847.83
Current Amount Amortized	(6,937.50)	(21,283.22)	(25,737.32)
Balance Issuance Costs and Premium	$76,312.45	$234,115.38	$283,110.51

Capital Lease Contracts Payable		Notes Payable		Total Principal and Interest Requirements
Principal	Interest	Principal	Interest	to Maturity
$264,460.85	$24,687.71	$10,678.62	$222.64	$ 750,549.82
251,379.79	16,484.58			870,914.37
259,491.21	8,373.16			871,764.37
				602,300.00
				603,125.00
				2,993,075.00
				689,550.00
				106,150.00
				42,700.00
$775,331.85	$49,545.45	$10,678.62	$222.64	$7,530,128.56

Defeased Debt

On November 1, 2010, the Commission issued $5,160,000 in General Obligation Warrants, Series 2010-A with an interest rates ranging from 2.00% to 4.00% to advance refund $5,020,000 of outstanding General Obligation Warrants, Series 2001 with an interest rate ranging from 2.30% to 4.70%. The net proceeds of $5,328,847.83 after a premium of $255,398.60 and payment of $83,249.95 in underwriting fees and other issuance costs were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2001. As a result, the Series 2001 are considered to be defeased and the liabilities for those bonds have been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $308,847.83. This difference is being netted against the new debt and amortized over the remaining life of the old and new debt. As a result of the advance refunding, the Commission reduced its total debt service requirements by $391,375.59, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $353,650.62.

Note 11 – Conduit Debt Obligations

On August 8, 1994, the Commission issued its $10,000,000.00 Special Obligation School Refunding Warrants to advance refund a portion of the Commission's outstanding Limited Obligation School Warrants, Series 1991, and to fund projects for capital improvements of certain public school facilities. The Warrants are secured by a lease agreement dated August 1, 1994, between the Commission and the Marshall County Board of Education and are payable solely from payments received under the lease agreement. The Board of Education has an irrevocable letter of credit with the bank to make payments on the Warrants from pledged ad valorem tax proceeds, sales tax proceeds, and TVA payments-in-lieu of taxes. Upon repayment of the Warrants, ownership of the projects transfers to the Board of Education. The Commission is not obligated in any manner for repayment of the Warrants. Accordingly, the Warrants are not reported as liabilities in the accompanying financial statements.

As of September 30, 2011, the principal balance outstanding on the 1994 Series Special Obligation School Refunding Warrants was $1,165,000.00.

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 the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to $500,000 per claim for a maximum total coverage of $2,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to $100,000 per incident with a $5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

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 General Fund. The entire 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 employee health insurance:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2010-2011	$156,999.50	$1,749,006.22	$1,768,210.72	$137,795.00
2009-2010	$162,668.10	$2,431,827.33	$2,437,495.93	$156,999.50
2008-2009	$127,700.00	$2,576,182.31	$2,541,214.21	$162,668.10

Note 13 – Interfund Transactions

Due To/From Other Funds

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

	Interfund Receivables	
	General Fund	Total
Interfund Payables:		
Disaster Fund	$5,125,393.55	$5,125,393.55
Other Governmental Funds	153,265.93	153,265.93
Total	$5,278,659.48	$5,278,659.48

Interfund Transfers

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

	Transfers In		
	General Fund	Other Governmental Funds	Total Governmental Funds
Transfers Out:			
General Fund	$	$566,348.87	$566,348.87
Other Governmental Funds	48,016.13		48,016.13
Total	$48,016.13	$566,348.87	$614,365.00

Note 14 – Related Organizations

A majority of the members of the Board of the Marshall County Health Care Authority are appointed by the Marshall County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for this agency and this agency is not considered part of the Commission's financial reporting entity. This agency is considered a related organization of the County Commission.

Note 15 – Restatements

Beginning fund balances have been restated due to a change in the reporting entity. The Marshall County Commission implemented GASB Statement Number 54, ***Fund Balance Reporting and Governmental Fund Type Definitions***, for the fiscal year ended September 30, 2011. This resulted in a change in format and the method of reporting fund balance in the basic financial statements.

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

	General Fund	Public Buildings, Roads and Bridges Fund	Courthouse and Jail Fund	Other Governmental Funds	Total
Fund Balance, September 30, 2010, as Previously Reported	$3,507,629.63	$ 2,491,371.55	$ 2,583,246.03	$5,093,103.51	$13,675,350.72
Fund Restatements:					
Drug Enforcement Fund	(37.98)			37.98	
Public Buildings, Roads and Bridges Fund	2,491,371.55	(2,491,371.55)			
Courthouse and Jail Fund	2,583,246.03		(2,583,246.03)		
Law Library Fund	39,215.21			(39,215.21)	
CDBG Fund	0.60			(0.60)	
Cert 8CCL Fund	199.26			(199.26)	
At Risk Youth Fund	(89.11)			89.11	
Child Advocate Fund	(3,775.94)			3,775.94	
Domestic Violence Fund	(4,494.05)			4,494.05	
Court Referral Fund	(9,802.83)			9,802.83	
VIP Fiduciary Fund	(1,527.92)			1,527.92	
Fund Balance, September 30, 2010, as Restated	$8,601,934.45	$	$	$5,073,416.27	$13,675,350.72

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Required Supplementary Information

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

	Budgeted Amounts		Actual Amounts
	Original	**Final**	**Budgetary Basis**
Revenues			
Taxes	$ 5,666,044.90	$ 5,602,468.09	$ 5,426,824.95
Licenses and Permits	103,500.00	98,905.00	107,617.09
Intergovernmental	2,089,271.12	2,088,977.79	2,557,080.47
Charges for Services	1,489,000.00	1,452,684.93	1,466,169.15
Miscellaneous	335,121.40	415,677.69	537,835.56
Total Revenues	9,682,937.42	9,658,713.50	10,095,527.22
Expenditures			
Current:			
General Government	3,921,676.76	3,944,707.26	3,493,790.28
Public Safety	5,063,703.90	4,930,735.06	4,685,753.53
Highways and Roads			
Health	105,625.03	105,675.03	94,987.95
Welfare	167,044.77	178,694.77	165,761.03
Culture and Recreation		18,736.00	15,354.16
Education	65,000.00	65,000.00	63,750.00
Capital Outlay		198,652.19	178,450.16
Debt Service:			
Principal	26,974.76	26,974.76	51,696.53
Interest and Fiscal Charges	1,404.16	1,404.16	1,261.35
Intergovernmental	240,000.00	240,000.00	314,946.60
Total Expenditures	9,591,429.38	9,710,579.23	9,065,751.59
Excess (Deficiency) of Revenues Over Expenditures	91,508.04	(51,865.73)	1,029,775.63
Other Financing Sources (Uses)			
Transfers In	594,442.17	903,116.69	895,803.45
Sale of Capital Assets			15,718.75
Transfers Out	(655,950.21)	(722,231.80)	(595,219.91)
Total Other Financing Sources (Uses)	(61,508.04)	180,884.89	316,302.29
Net Change in Fund Balances	30,000.00	129,019.16	1,346,077.92
Fund Balances - Beginning of Year	96,829.37	96,829.37	3,507,629.63
Fund Balances - End of Year	$ 126,829.37	$ 225,848.53	$ 4,853,707.55

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1) (3)	$ 2,750,109.64	$ 8,176,934.59
(3)		107,617.09
(3)	720,574.89	3,277,655.36
(3)	215,363.48	1,681,532.63
(3)	68,895.39	606,730.95
	3,754,943.40	13,850,470.62
(2) (4)	(378,290.03)	3,872,080.31
(2) (4)	(341,785.90)	5,027,539.43
(4)	(1,213,480.66)	1,213,480.66
(2) (4)	(912.36)	95,900.31
(2) (4)	(90,113.95)	255,874.98
(2) (4)	(122,303.01)	137,657.17
		63,750.00
(4)	(120,018.15)	298,468.31
(4)	(235,909.68)	287,606.21
(4)	(32,254.69)	33,516.04
		314,946.60
	(2,535,068.43)	11,600,820.02
	1,219,874.97	2,249,650.60
(5)	(847,787.32)	48,016.13
(5)	87,096.00	102,814.75
(5)	28,871.04	(566,348.87)
	(731,820.28)	(415,517.99)
	488,054.69	1,834,132.61
(6)	5,094,304.82	8,601,934.45
	$ 5,582,359.51	$ 10,436,067.06

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

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

(1) The Commission recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned.

(2) The Commission recognizes salaries only to the extent actually paid rather than when actually earned by employees

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

(3) Revenues	
Park Fund	118,630.00
Drug Enforcement Fund	209,913.75
Public Buildings, Roads and Bridges Fund	2,477,830.38
Courthouse and Jail Fund	501,546.05
Law Library Fund	98,380.15
Emergency Management Fund	68,789.44
Child Advocate Fund	3,775.94
Domestic Violence Fund	4,494.05
Court Referral Fund	10,000.00
(4) Expenditures	
Park Fund	121,179.98
Drug Enforcement Fund	249,891.90
Public Buildings, Roads and Bridges Fund	1,744,287.37
Courthouse and Jail Fund	21,261.61
Law Library Fund	13,873.72
Emergency Management Fund	253,924.44
Court Referral Fund	197.17
VIP Fiduciary Fund	(1,527.92)
(5) Other Financing Sources/(Uses), Net	
Park Fund	2,549.98
Drug Enforcement Fund	40,016.13
Public Buildings, Roads and Bridges Fund	(412,236.79)
Courthouse and Jail Fund	(460,859.97)
Law Library Fund	(86,513.74)
Emergency Management Fund	185,135.00
At-Risk Youth Grant Fund	89.11
Net Increase in Fund Balance - Budget to GAAP	

(6) 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 Balances because of the effect of transactions such as those described above.

$	261,583.64
	(131,980.16)
	3,493,359.76
	(2,403,088.27)
	(731,820.28)
$	488,054.69

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2010**	$15,840,494***	$22,176,386	$6,335,892	71.4%	$7,152,782	88.6%
09/30/2009	$15,871,513	$20,229,667	$4,358,154	78.5%	$6,703,616	65.0%
09/30/2008	$15,956,400	$19,027,214	$3,070,814	83.9%	$6,679,604	46.0%

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

** Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional .25% beginning October 1, 2012.

*** Market Value of Assets as of September 30, 2010: $13,193,972.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2010*	$0.00	$ 9,119,900	$ 9,119,900	0%	$5,614,521	162.43%
09/30/2008	$0.00	$21,042,415	$21,042,415	0%	$5,346,294	393.6%

* Since the previous valuation, the County's policy has been changed to move Medicare eligible retirees from the County's self-insured plan to Blue Cross Blue Shield of Alabama C-Plus Plan. Additionally, retirement rates have been adjusted to reflect the discontinuance of the DROP.

Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Housing and Urban Development		
Passed Through Alabama Department of		
Economic and Community Affairs		
Emergency Shelter Grants Program	14.231	ESG-09-003
U. S. Department of Justice		
Direct Programs		
State Criminal Alien Assistance Program	16.606	N/A
Justice Assistance Grant (JAG) Program Cluster:		
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	N/A
Passed Through Alabama Department of		
Economic and Community Affairs		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06-DH-03-024
Sub-Total Justice Assistance Grant (JAG) Program Cluster (M)		
Violence Against Women Formula Grants	16.588	10-WF-PR-002
Passed Through Etowah County Commission		
Public Safety Partnership and Community Policing Grants	16.710	N/A
Total U. S. Department of Justice		
U. S. Department of Labor		
Passed Through Alabama Department of		
Economic and Community Affairs		
Workforce Investment Act (WIA) National Emergency Grants	17.277	0F200013
U. S. Department of Transportation		
Passed Through Northeast Traffic Safety Office		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	10-SP-PT-002
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	10-HS-FR-001
Safety Belt Performance Grants	20.609	10-HS-K4-004
Sub-Total Highway Safety Cluster		
Total U. S. Department of Transportation		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
07/31/2009 - 04/28/2011	$ 86,000.00	$ 43,000.00	$ 13,753.47	$ 13,753.47
10/01/2010 - 09/30/2011	2,823.00	2,823.00	2,823.00	2,823.00
03/01/2009 - 02/28/2013	118,816.00	118,816.00	22,350.00	22,350.00
10/01/2010 - 08/30/2011	202,377.78	202,377.78	202,377.78	202,377.78
	321,193.78	321,193.78	224,727.78	224,727.78
10/01/2010 - 12/31/2011	103,517.72	77,638.08	59,907.25	59,907.25
12/16/2009 - 06/15/2014	153,924.00	153,924.00	113,114.26	113,114.26
	581,458.50	555,578.86	400,572.29	400,572.29
05/16/2011 - 01/31/2012	86,526.48	86,526.48	75,025.78	75,025.78
10/01/2010 - 09/30/2011	5,086.31	5,086.31	5,086.31	5,086.31
10/01/2010 - 09/30/2011	933.60	933.60	933.60	933.60
10/01/2010 - 09/30/2011	1,254.59	1,254.59	1,254.59	1,254.59
	7,274.50	7,274.50	7,274.50	7,274.50
	7,274.50	7,274.50	7,274.50	7,274.50
	$ 761,259.48	$ 692,379.84	$ 496,626.04	$ 496,626.04

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
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 Energy		
Direct Program		
ARRA - Energy Efficiency and Conservation		
Block Grant Program (M)	81.128	N/A
U. S. Department of Health and Human Services		
Passed Through Top of Alabama Regional		
Council of Governments		
Special Programs for the Aging - Title III, Part D - Disease		
Prevention and Health Promotion Services	93.043	N/A
Aging Cluster:		
Special Programs for the Aging - Title III, Part B - Grants for		
Supportive Services and Senior Centers	93.044	N/A
Special Programs for the Aging - Title III,		
Part C - Nutrition Services	93.045	N/A
Sub-Total Aging Cluster		
National Family Caregiver Support - Title III Part E	93.052	N/A
Passed Through Alabama Department of Public Health		
National Bioterrorism Hospital Preparedness Program	93.889	5 U3REP090254-02-00
Total U. S. Department of Health and Human Services		
Sub-Total Forward		

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 761,259.48	$ 692,379.84	$ 496,626.04	$ 496,626.04
10/01/2010 - 09/30/2011			63,037.19	63,037.19
09/30/2009 - 09/29/2012	401,510.00	374,700.00	349,700.00	349,700.00
10/01/2010 - 09/30/2011	3,506.29	1,722.00	1,722.00	1,722.00
10/01/2010 - 09/30/2011	42,230.18	20,740.00	20,740.00	20,740.00
10/01/2010 - 09/30/2011	191,479.48	94,039.00	94,039.00	94,039.00
	233,709.66	114,779.00	114,779.00	114,779.00
10/01/2010 - 09/30/2011	1,016.05	499.00	499.00	499.00
07/01/2010 - 06/30/2011	10,000.00	10,000.00	9,964.70	9,964.70
	248,232.00	127,000.00	126,964.70	126,964.70
	$ 1,411,001.48	$ 1,194,079.84	$ 1,036,327.93	$ 1,036,327.93

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
U. S. Department of Homeland Security		
Direct Program		
Port Security Grant Program	97.056	N/A
Passed Through Alabama Department of Homeland Security		
Homeland Security Grant Program	97.067	8MAL
Homeland Security Grant Program	97.067	8SHL
Homeland Security Grant Program	97.067	9CCL
Homeland Security Grant Program	97.067	9MAL
Homeland Security Grant Program	97.067	0CCL
Homeland Security Grant Program	97.067	0SHL
Sub-Total Homeland Security Grant Program		
Emergency Operations Center	97.052	0EOC
Passed Through Alabama Emergency Management Agency		
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (M)	97.036	FEMA-1971-DR-AL
Hazard Mitigation Grant Program	97.039	DR 1605-0237
Hazard Mitigation Grant Program	97.039	DR 1605-0286
Hazard Mitigation Grant Program	97.039	DR 1605-0288
Hazard Mitigation Grant Program	97.039	DR 1605-0290
Hazard Mitigation Grant Program	97.039	DR 1605-0291
Hazard Mitigation Grant Program	97.039	DR 1605-0293
Sub-Total Hazard Mitigation Program		
Emergency Management Performance Grants	97.042	0 EMS
Emergency Management Performance Grants	97.042	1EMF
Sub-Total Emergency Management Performance Grants		
Total U. S Department of Homeland Security		
Total Expenditures of Federal Awards		

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

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

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
	$ 1,411,001.48	$ 1,194,079.84	$ 1,036,327.93	$ 1,036,327.93
06/10/2010 - 05/31/2013	181,612.00	181,612.00	169,200.30	169,200.30
10/10/2008 - 12/31/2011	14,760.00	14,760.00	4,752.52	4,752.52
10/10/2008 - 12/31/2011	127,024.49	127,024.49	11,744.31	11,744.31
08/01/2009 - 12/31/2011	21,650.00	21,650.00	10,672.05	10,672.05
08/01/2009 - 12/31/2011	14,430.00	14,430.00	2,285.68	2,285.68
09/13/2010 - 07/31/2012	20,800.00	20,800.00	16,204.00	16,204.00
09/13/2010 - 09/15/2012	54,890.00	54,890.00	14,386.65	14,386.65
	253,554.49	253,554.49	60,045.21	60,045.21
06/01/2010 - 12/31/2012	187,500.00	187,500.00	539.10	539.10
	5,457,468.77	4,410,141.52	4,410,141.52	4,410,141.52
01/07/2009 - 12/21/2011	1,434.77	1,434.77	1,434.77	1,434.77
12/21/2009 - 12/21/2011	529.00	529.00	529.00	529.00
12/21/2009 - 12/21/2011	529.00	529.00	529.00	529.00
12/21/2009 - 12/21/2011	528.00	528.00	528.00	528.00
12/21/2009 - 12/21/2011	529.00	529.00	529.00	529.00
12/21/2009 - 12/21/2011	529.00	529.00	529.00	529.00
	4,078.77	4,078.77	4,078.77	4,078.77
10/01/2010 - 09/30/2011	11,753.00	11,753.00	11,753.00	11,753.00
10/01/2010 - 09/30/2011	51,358.00	51,358.00	51,358.00	51,358.00
	63,111.00	63,111.00	63,111.00	63,111.00
	6,147,325.03	5,099,997.78	4,707,115.90	4,707,115.90
	$ 7,558,326.51	$ 6,294,077.62	$ 5,743,443.83	$ 5,743,443.83

Note 1 – Basis of Presentation

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

Additional Information

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

Commission Members		**Term Expires**
Hon. James Hutcheson	Chairman	2014
Hon. Douglas D. Fleming	Chairman	Deceased
Hon. William Stricklend, III	Commissioner	2014
Hon. James Maze	Commissioner	2012
Hon. Richard Kilgore	Commissioner	2012
Hon. Tamey Hale	Commissioner	2014
Hon. Tim F. Bollinger	Commissioner	2010
Administrative Personnel		
Nancy R. Wilson	County Administrator	09/01/2011
Shelly Fleisher	Interim County Administrator	

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission as of and for the year ended September 30, 2011, which collectively comprise the Marshall County Commission's basic financial statements and have issued our report thereon dated April 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting as item 2011-01. 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.

Compliance and Other Matters

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

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

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

Ronald L. Jones

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

April 29, 2013

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

Independent Auditor's Report

Compliance

We have audited the Marshall County Commission's (the "Commission") 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 Commission's major federal programs for the year ended September 30, 2011. The Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

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

April 29, 2013

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Section I – Summary of Examiner's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
16.804 and 16.738	JAG Program Cluster
81.128	Energy Efficiency and Conservation Block Grant Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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
2011-01	Internal Control	**Finding:** A properly designed system of internal controls provides for bank accounts to be reconciled on a monthly basis. During fiscal year 2011, the cash with fiscal agent bank accounts were not reconciled to the general ledger resulting in an understatement of principal and interest expenditures and an overstatement of cash with fiscal agent in the general ledger. Audit adjustments were made to properly reflect balances at year-end. **Recommendation:** The Commission should ensure that bank reconciliations are performed monthly for all bank accounts and are reviewed and approved by appropriate management.	

Section III – Federal Awards Findings and Questioned Costs

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

Auditee Response/Corrective Action Plan

MARSHALL COUNTY COMMISSION

CHAIRMAN
James Hutcheson

County Administrator
Shelly Fleisher

County Engineer
Bob Pirando

District 1
William H. Strickland, III

District 2
R.E. Martin

District 3
C.W. "Buddy" Allen

District 4
Tamey Hale

May 8, 2013

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

Dear Sir:

Corrective Action Plan
For the Year Ended September 30, 2011

As required by the Office of Management and Budget (OMB) Circular No. A-133, ***Audits of States, Local Governments, and Non-Profit Organizations,*** Section .315 (c), the **Marshall County Commission** has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2011.

Finding Ref No.	Corrective Action Plan Details
2011-01	**Finding #2011-01:** A properly designed system of internal controls provides for bank accounts to be reconciled on a monthly basis. During fiscal year 2011, the cash with fiscal agent bank accounts were not reconciled to the general ledger resulting in an understatement of principal and interest expenditures and an overstatement of cash with fiscal agent in the general ledger. Audit adjustments were made to properly reflect balances at year-end. **Response:** Procedures were put into place during the 2011 audit to ensure bank reconciliations for the cash with fiscal agent are performed on a timely basis. The bank statements are now reconciled to the balances recorded on the general ledger.

Sincerely,

James Hutcheson
Chairman

424 Blount Avenue, Suite 305 • Guntersville, AL 35976 • (256) 571-7701 Fax (256) 571-7703