Report on the

Marshall County Commission

Marshall County, Alabama

October 1, 2014 through September 30, 2015

Filed: February 17, 2017

Department of
Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

17-001

State of Alabama
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Ronald L. Jones
Chief Examiner

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

Dear Sir:

Under the authority of the ***Code of Alabama 1975***, Section 41-5-21, I submit this report on the results of the audit of the Marshall County Commission, Marshall County, Alabama, for the period October 1, 2014 through September 30, 2015.

Sworn to and subscribed before me this
the 31st day of January, 2017.

Jana Lake
Notary Public

Respectfully submitted,

Kimberly A. Swafford
Kimberly A. Swafford
Examiner of Public Accounts

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17-001

Table of Contents

Table of Contents

Department of

Examiners of Public Accounts

SUMMARY

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

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 15. 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. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5-14.

An unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2015.

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

The following officials/administrative personnel were invited to an exit conference to discuss the contents of this report: Shelly Fleisher, County Administrator; James Hutcheson, Chairman; and Commissioners: William Stricklend, III; David Kelley; R. E. Martin, Jessie Swords and Tamey Hale. The following individuals attended the exit conference, held at the Commission's office: Shelly Fleisher, County Administrator; James Hutcheson, Chairman; and Commissioners: R. E. Martin and David Kelley; and representatives of the Department of Examiners of Public Accounts: Randall C. O'Bannon, Audit Manager and Kimberly A. Swafford, Examiner of Public Accounts.

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Independent Auditor’s Report

Independent Auditor's Report

To: Members of the Marshall County Commission and County Administrator

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the Marshall County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

<u>Opinions</u>

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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

<u>Emphasis of Matter</u>

As discussed in Note 14 to the financial statements, during the fiscal year ended September 30, 2015, the Marshall County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

<u>Other Matters</u>

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Net Position Liability, Schedule of the Employer's Contributions, the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and the Schedule of Funding Progress (Exhibits 9 through 14), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 31, 2017, 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*** in considering the Marshall County Commission's internal control over financial reporting and compliance.

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

Montgomery, Alabama

January 31, 2017

Basic Financial Statements

Statement of Net Position
September 30, 2015

		Governmental Activities
Assets		
Cash and Cash Equivalents	$	21,160,079.63
Cash with Fiscal Agent		719,560.07
Investments		1,827,593.10
Receivables (Note 4)		1,534,266.04
Ad Valorem Taxes Receivable		7,755,757.72
Lease Receivable		378,315.96
Inventories		14,122.52
Prepaid Items		1,178,307.84
Capital Assets (Note 5):		
Nondepreciable		1,686,935.00
Depreciable, Net		14,963,395.57
Total Assets		51,218,333.45
Deferred Outflows of Resources		
Loss on Refunding		170,802.19
Employer Pension Contributions		477,451.03
Total Deferred Outflows of Resources		648,253.22
Liabilities		
Payables		840,375.61
Unearned Revenue		871,666.87
Accrued Interest Payable		119,093.23
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Capital Lease Contracts Payable		110,704.92
Warrants Payable		665,000.00
Unamortized Premium		23,218.05
Estimated Liability for Compensated Absences		41,453.37
Portion Due or Payable After One Year:		
Capital Lease Contracts Payable		36,319.05
Warrants Payable		7,975,000.00
Unamortized Premium		118,025.13
Estimated Liability for Compensated Absences		373,080.36
Net Pension Liability		6,309,958.00
Net OPEB Obligation		3,654,658.36
Total Liabilities	$	21,138,552.95

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

	Governmental Activities
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	$ 7,755,757.72
Proportionate Share of Collective Deferred Inflows	
Related to Net Pension Liability	517,766.00
Total Deferred Inflows of Resources	8,273,523.72
Net Position	
Net Investment in Capital Assets	7,892,865.61
Restricted for:	
Capital Projects	4,590,775.81
Road Projects	4,225,933.99
Debt Service	608,089.13
Other Purposes	594,739.19
Unrestricted	4,542,106.27
Total Net Position	$ 22,454,510.00

Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs		Expenses		Program Revenues Charges for Services		Program Revenues Operating Grants and Contributions
Governmental Activities						
General Government	$	5,500,101.54	$	1,723,159.35	$	532,322.37
Public Safety		7,797,961.47		1,083,203.28		869,621.62
Highways and Roads		6,859,013.94		408.00		3,845,547.48
Health		112,797.37				22,223.09
Welfare		546,261.08				278,434.28
Culture and Recreation		318,296.16		107,955.00		
Education		40,049.66				
Interest and Fiscal Charge		314,306.92				
Intergovernmental		290,219.30				
Total Governmental Activities	$	21,779,007.44	$	2,914,725.63	$	5,548,148.84

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 Position

Net Position - Beginning of Year, as Restated (Note 14)

Net Position - End of Year

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities
$	$ (3,244,619.82)
	(5,845,136.57)
	(3,013,058.46)
	(90,574.28)
	(267,826.80)
	(210,341.16)
	(40,049.66)
	(314,306.92)
	(290,219.30)
$	(13,316,132.97)
	7,611,628.14
	951,892.60
	518,044.46
	1,369,279.11
	1,815,457.74
	206,342.01
	15,809.38
	96,891.10
	420,140.29
	13,005,484.83
	(310,648.14)
	22,765,158.14
	$ 22,454,510.00

Balance Sheet
Governmental Funds
September 30, 2015

		General Fund		Capital Improvement Fund
<u>Assets</u>				
Cash and Cash Equivalents	$	10,076,557.76	$	4,643,000.92
Cash with Fiscal Agent				
Investments		1,827,593.10		
Receivables (Note 4)		1,046,373.82		
Ad Valorem Taxes Receivable		6,646,076.39		
Interfund Receivables		62,251.96		
Lease Receivable				
Inventories		14,122.52		
Prepaid Items		25,135.84		
Total Assets		19,698,111.39		4,643,000.92
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Payables		582,638.67		
Unearned Revenue				
Interfund Payables				
Total Liabilities		582,638.67		
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes		6,646,076.39		
Total Deferred Inflows of Resources		6,646,076.39		
<u>Fund Balances</u>				
Nonspendable:				
Prepaid Items		25,135.84		
Inventories		14,122.52		
Restricted for:				
Road Surface Repairs				
Capital Projects				4,590,775.81
Debt Service				
Local Officials				
Other Purposes				
Assigned:				
Road Surface Repairs				
Capital Projects				52,225.11
Other Purposes				
Unassigned		12,430,137.97		
Total Fund Balances		12,469,396.33		4,643,000.92
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	19,698,111.39	$	4,643,000.92

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
$ 390,036.27	$ 6,050,484.68	$ 21,160,079.63
	719,560.07	719,560.07
		1,827,593.10
	487,892.22	1,534,266.04
1,058,851.37	50,829.96	7,755,757.72
		62,251.96
	378,315.96	378,315.96
		14,122.52
	1,153,172.00	1,178,307.84
1,448,887.64	8,840,254.89	34,630,254.84
7,693.23	250,043.71	840,375.61
382,343.04	489,323.83	871,666.87
	62,251.96	62,251.96
390,036.27	801,619.50	1,774,294.44
1,058,851.37	50,829.96	7,755,757.72
1,058,851.37	50,829.96	7,755,757.72
	1,153,172.00	1,178,307.84
		14,122.52
	4,225,933.99	4,225,933.99
		4,590,775.81
	727,182.36	727,182.36
	498,323.92	498,323.92
	96,415.27	96,415.27
	1,263,682.72	1,263,682.72
		52,225.11
	23,095.17	23,095.17
		12,430,137.97
	7,987,805.43	25,100,202.68
$ 1,448,887.64	$ 8,840,254.89	$ 34,630,254.84

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

Total Fund Balances - Governmental Funds (Exhibit 3)		$ 25,100,202.68
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds (See Note 5).		
Nondepreciable	$ 1,686,935.00	
Depreciable, Net	14,963,395.57	
		16,650,330.57
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the governmental funds.		
Deferred Outflow Related to Defined Benefit Pension Plan	477,451.03	
Deferred Inflow Related to Defined Benefit Pension Plan	(517,766.00)	
		(40,314.97)
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position.		170,802.19

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	$ 665,000.00	7,975,000.00	
Unamortized Premium	23,218.05	118,025.13	
Interest Payable	119,093.23		
Capital Lease Contracts Payable	110,704.92	36,319.05	
Estimated Liability for Compensated Absences	41,453.37	373,080.36	
Net Pension Liability		6,309,958.00	
Other Post Employment Benefit Obligation		3,654,658.36	
Total Long-Term Liabilities	$ 959,469.57	$ 18,467,040.90	(19,426,510.47)
Total Net Position - Governmental Activities (Exhibit 1)			$ 22,454,510.00

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, 2015

	General Fund	Capital Improvement Fund
Revenues		
Taxes	$ 8,603,968.79	$
Licenses and Permits	93,701.00	
Intergovernmental	2,396,183.97	439,605.38
Charges for Services	1,610,183.19	
Miscellaneous	206,676.06	2,910.88
Total Revenues	12,910,713.01	442,516.26
Expenditures		
Current:		
General Government	3,756,221.27	
Public Safety	5,322,977.43	
Highways and Roads	1,464,057.78	
Health	104,178.58	
Welfare	183,193.27	
Culture and Recreation	126,927.11	
Education	40,049.66	
Capital Outlay	540,011.51	
Debt Service:		
Principal Retirement	120,699.08	
Interest and Fiscal Charges	5,704.13	
Intergovernmental	290,219.30	
Total Expenditures	11,954,239.12	
Excess (Deficiency) of Revenues Over Expenditures	956,473.89	442,516.26
Other Financing Sources (Uses)		
Transfers In	35,000.00	
Sale of Capital Assets	128,798.12	
Transfers Out	(611,915.78)	
Total Other Financing Sources (Uses)	(448,117.66)	
Net Changes in Fund Balances	508,356.23	442,516.26
Fund Balances - Beginning of Year	11,961,040.10	4,200,484.66
Fund Balances - End of Year	$ 12,469,396.33	$ 4,643,000.92

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

Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
$ 885,024.54	$ 961,850.98	$ 10,450,844.31
		93,701.00
	4,892,074.03	7,727,863.38
	1,196,594.18	2,806,777.37
4,717.35	77,977.85	292,282.14
889,741.89	7,128,497.04	21,371,468.20
879,741.89	300,625.22	4,936,588.38
	1,613,422.83	6,936,400.26
	4,615,405.72	6,079,463.50
	25.00	104,203.58
	285,983.29	469,176.56
	182,669.35	309,596.46
		40,049.66
10,000.00	358,198.57	908,210.08
	645,000.00	765,699.08
	309,368.76	315,072.89
		290,219.30
889,741.89	8,310,698.74	21,154,679.75
	(1,182,201.70)	216,788.45
	611,915.78	646,915.78
	96,100.00	224,898.12
	(35,000.00)	(646,915.78)
	673,015.78	224,898.12
	(509,185.92)	441,686.57
	8,496,991.35	24,658,516.11
$	$ 7,987,805.43	$ 25,100,202.68

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2015

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)		$ 441,686.57
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds 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 Outlays	$ 908,210.08	
Depreciation Expense	(1,425,656.00)	
		(517,445.92)
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 position differs from the change in fund balance by the cost of the capital assets sold.		
Proceeds from the Sale of Capital Assets	(224,898.12)	
Gain on Disposition of Capital Assets	96,891.10	
		(128,007.02)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		765,699.08
Premiums and deferred amounts on refunding are reported in the funds in the year the applicable debt is issued; however, these amounts are deferred and amortized over the life of the debt issued.		
Amortization of Premium on Debt Issued	$ 23,218.05	
Amortization of Deferred Loss	(28,077.08)	
		(4,859.03)

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 Decrease in Estimated Liability for Compensated Absences	$	11,228.12	
Net Increase in OPEB Obligation		(397,476.97)	
Net Increase in Pension Expense		(487,097.97)	
Net Decrease in Accrued Interest Payable		5,625.00	
			(867,721.82)
Change in Net Position of Governmental Activities (Exhibit 2)			$ (310,648.14)

Statement of Fiduciary Net Position
September 30, 2015

	Private-Purpose Trust Funds	Agency Funds
Assets		
Current Assets		
Cash and Cash Equivalents	$ 612,159.09	$ 154,837.90
Receivables (Note 4)	12,218.00	38,795.00
Prepaid Items	250.00	
Total Assets	624,627.09	193,632.90
Liabilities		
Current Liabilities		
Payable to External Parties	445,227.69	193,632.90
Total Liabilities	445,227.69	$ 193,632.90
Net Position		
Held in Trust for Other Purposes	179,399.40	
Total Net Position	$ 179,399.40	

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

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2015

	Private-Purpose Trust Funds
Additions	
Contributions from:	
Worthless Check Collection Service Charge	$ 155,892.10
State Grants	74,058.68
Child Protection	19,870.53
Miscellaneous	5,010.00
Interest	111.89
Total Additions	254,943.20
Deductions	
Administrative Expenses	266,442.01
Total Deductions	266,442.01
Changes in Net Position	(11,498.81)
Net Position - Beginning of Year	190,898.21
Net Position - End of Year	$ 179,399.40

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 Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. 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.

- ***Capital Improvement Fund*** – This fund is used to account for the revenue that is received from the Alabama Trust Fund for the purpose of assisting in the restoration and improvement of county government buildings, bridges, roads, streets and other facilities and to promote the health, safety and public welfare of the citizens.

- ***Reappraisal Fund*** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.

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

Governmental Fund Types

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. 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, except for certificates of deposit, which are reported at cost.

2. Receivables

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

Sales, rental, gas, tobacco and lodging tax 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. Property tax revenue deferred is reported as a deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects 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. Material amounts reported as prepaid items in the financial statements are for construction costs paid in advance.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads and bridges), are reported in the governmental activities column 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 years
Bridges	$ 50,000	40 years
Land Improvements – Exhaustible	$100,000	25 years
Buildings	$ 50,000	40 years
Equipment and Furniture	$ 5,000	5 - 10 years
Equipment Under Capital Lease	$ 5,000	5 - 10 years

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

6. Deferred Outflows of Resources

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Warrant premiums 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 an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums 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 years and may carry over a maximum of 300 hours of annual leave at the end of each calendar year. Upon termination of employment in good standing, the employees are paid for all unused annual leave accumulated to the date of 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. 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.

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.

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. Upon termination of employment in good standing, the employees are paid for all unused compensatory leave accumulated to the date of termination.

9. Deferred Inflows of Resources

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

10. Pensions

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

11. Net Position/Fund Balances

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

- ***Net Investment in Capital Assets*** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

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

- ***Unrestricted*** – is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position 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:

A. 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 intact. 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.

B. 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.

C. 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.

D. 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.

E. 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

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual 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.

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

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, 2015, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity
Federated U. S. Treasury Cash Reserves	$719,560.07	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, 2015, 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, 2015, receivables for the Commission's individual major funds, other governmental funds and fiduciary funds in the aggregate are as follows:

	General Fund	Other Governmental Funds	Total
Governmental Funds:			
Accounts Receivable	$ 53,317.56	$ 57.60	$ 53,375.16
Due from Other Governments	993,056.26	487,834.62	1,480,890.88
Total	$1,046,373.82	$487,892.22	$1,534,266.04

	Private-Purpose Trust Funds	Agency Funds	Total
Fiduciary Funds:			
Due from Other Governments	$12,218.00	$38,795.00	$51,013.00
Total	$12,218.00	$38,795.00	$51,013.00

Note 5 – Capital Assets

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

	Balance 10/01/2014	Additions/ Reclassifications (*)	Deletions/ Reclassifications (*)	Balance 09/30/2015
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements	$ 1,410,139.00	$ 276,796.00	$	$ 1,686,935.00
Construction in Progress	74,969.16		(74,969.16)	
Total Capital Assets, Not Being Depreciated	1,485,108.16	276,796.00	(74,969.16)	1,686,935.00
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	13,893,030.93	74,969.16		13,968,000.09
Motor Vehicles, Furniture and Equipment	10,975,210.45	631,414.08	(506,001.02)	11,100,623.51
Equipment Under Capital Lease	504,799.66			504,799.66
Total Capital Assets Being Depreciated	33,718,928.35	706,383.24	(506,001.02)	33,919,310.57
Less: Accumulated Depreciation for:				
Infrastructure – Bridges	(2,059,204.00)	(150,643.00)		(2,209,847.00)
Infrastructure – Roads	(730,237.00)	(12,906.00)		(743,143.00)
Buildings and Improvements	(7,039,491.00)	(348,263.00)		(7,387,754.00)
Motor Vehicles, Furniture and Equipment	(7,969,375.00)	(863,364.00)	377,994.00	(8,454,745.00)
Equipment Under Capital Lease	(109,946.00)	(50,480.00)		(160,426.00)
Total Accumulated Depreciation	(17,908,253.00)	(1,425,656.00)	377,994.00	(18,955,915.00)
Total Capital Assets Being Depreciated, Net	15,810,675.35	(719,272.76)	(128,007.02)	14,963,395.57
Total Governmental Activities Capital Assets, Net	$ 17,295,783.51	$ (442,476.76)	$(202,976.18)	$ 16,650,330.57

(*) Reclassifications from Construction in Progress to Buildings and Improvements ($74,969.16).

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	$ 277,504.00
Public Safety	505,080.00
Highway and Roads	583,795.00
Health	3,375.00
Welfare	53,055.00
Culture and Recreation	2,847.00
Total Depreciation Expense – Governmental Activities	$1,425,656.00

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Benefits Provided

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

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

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

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

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

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, Marshall County Commission’s active employee contribution rate was 6.74 percent of covered employee payroll, and the Commission’s average contribution rate to fund the normal and accrued liability costs was 6.75 percent of covered employee payroll.

Marshall County Commission’s contractually required contribution rate for the year ended September 30, 2015, was 7.54% of pensionable pay for Tier 1 employees, and 7.40% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were $477,451.03 for the year ended September 30, 2015.

B. Net Pension Liability

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

Total Pension Liability as of September 30, 2013 (a)	$22,972,609
Entry Age Normal Cost for October 1, 2013 – September 30, 2014 (b)	629,339
Actual Benefit Payments and Refunds for October 1, 2013 – September 30, 2014 (c)	(1,407,771)
Total Pension Liability as of September 30, 2014 =[(a) x (1.08)] + (b) – [(c) x (1.04)]	$23,975,675

Actuarial Assumptions

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

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return (*)	8.00%

(*) Net of pension plan investment expense

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

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

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

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

(*) Net assumed rate of inflation of 2.50%

Discount Rate

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

C. Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2013	$22,972,609	$16,648,377	$ 6,324,232
Changes for the Year:			
Service Cost	629,339		629,339
Interest	1,781,498		1,781,498
Contributions – Employer		461,057	(461,057)
Contributions – Employee		485,592	(485,592)
Net Investment Income		1,942,087	(1,942,087)
Benefit Payments, including Refunds of Employee Contributions	(1,407,771)	(1,407,771)	
Transfers Among Employers		(463,625)	463,625
Net Changes	1,003,066	1,017,340	(14,274)
Balances at September 30, 2014	$23,975,675	$17,665,717	$ 6,309,958

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

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

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Commission's Net Pension Liability	$8,925,469	$6,309,958	$4,099,672

Pension Plan Fiduciary Net Position

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

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

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

For the year ended September 30, 2015, the Marshall County Commission recognized pension expense of $964,548.00. At September 30, 2015, the Marshall County Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		517,766
Employer contributions subsequent to the measurement date	477,451	
Total	$477,451	$517,766

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

Year Ending:	
September 30, 2016	$129,442
2017	$129,442
2018	$129,442
2019	$129,440
2020	$
Thereafter	$

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Marshall County Commission contributes to the Local Government Health Insurance Program, an agent multiple-employer defined benefit postemployment healthcare plan administered by the State Insurance Board. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. 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, 2015. The Commission does not anticipate setting up a trust fund to fund its postemployment medical and life insurance plans.

The Commission contributes $817.00, 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 $137.00, the cost of current monthly premiums, for eligible retirees and $222.00, the cost of currently monthly premiums, for eligible disabled retirees. For fiscal year 2015, the Commission contributed $326,558.00 to cover approximately ninety-three participants.

Retired employees also may elect to participate in a life insurance plan. The Commission pays $2.40 to $4.80 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, 2015, to cover approximately ninety-three participants, totaled $3,741.75.

C. Annual OPEB Cost

For fiscal year 2015, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical, drug, dental and life insurance was $727,776.72. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$727,776.72	45.38%	$3,654,658.00
2014	$733,332.00	49.56%	$3,257,182.00
2013	$769,640.60	37.60%	$2,887,304.90

The recent actuarial valuation at September 30, 2015, for the Commission's other postemployment benefits reflects an increase in the actuarial accrued liability from the previous actuarial valuation for September 30, 2013. The actuarial accrued liability increased from $8,552,518 to $9,007,795 based on this latest actuarial valuation. This includes the updated actuarial assumptions and plan design based on the introduction of a new tier of membership for those hired on or after January 1, 2013.

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2015, was as follows:

Actuarial Accrued Liability (AAL)	$9,007,795.00
Actuarial Value of Plan Assets	$0.00
Unfunded Actuarial Accrued Liability (UAAL)	$9,007,795.00
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	$3,326,790.00
UAAL as a Percentage of Covered Payroll	270.77%

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 7.75% initially, reduced by decrements to an ultimate rate of 5.0% after five years. It was assumed that 100% percent of future eligible 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, 2015, amounted to $30,860.23.

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 $504,799.66 for governmental activities at September 30, 2015. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2015.

Fiscal Year Ending	Governmental Activities
September 30, 2016	$113,230.49
2017	28,460.08
2018	8,307.22
Total Minimum Lease Payments	149,997.79
Less: Amount Representing Interest	(2,973.82)
Present Value of Net Minimum Lease Payments	$147,023.97

Note 10 – Long-Term Debt

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 $378,315.96 is reflected in the financial statements at September 30, 2015. 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.

On November 1, 2013, the Commission issued Gas Tax Warrants, Series 2013 in the amount of $4,995,000 to fund the County's share of ATRIP projects.

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

	Debt Outstanding 10/01/2014	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Warrants:					
Series 2013-A	$ 4,995,000.00	$	$(185,000.00)	$ 4,810,000.00	$190,000.00
Series 2010-A	4,020,000.00		(450,000.00)	3,570,000.00	465,000.00
U.S.D.A. Warrant/Loan	270,000.00		(10,000.00)	260,000.00	10,000.00
Sub-Total	9,285,000.00		(645,000.00)	8,640,000.00	665,000.00
Unamortized Premium	164,461.23		(23,218.05)	141,243.18	23,218.05
Total Warrants Payable	9,449,461.23		(668,218.05)	8,781,243.18	688,218.05
Other Liabilities:					
Capital Lease Contracts Payable	267,723.05		(120,699.08)	147,023.97	110,704.92
Estimated Liability for Compensated Absences	425,761.85		(11,228.12)	414,533.73	41,453.37
Net OPEB Obligation	3,257,181.39	397,476.97		3,654,658.36	
Net Pension Liability	6,324,232.00		(14,274.00)	6,309,958.00	
Total Governmental Activities Long-Term Liabilities	$19,724,359.52	$397,476.97	$(814,419.25)	$19,307,417.24	$840,376.34

Payments on the warrants payable were made from the Debt Service Funds. These payments were made from transfers from the Public Buildings, Roads and Bridges Fund and the RRR Fund. In addition, the capital lease contracts payable are paid from the Public Buildings, Roads and Bridges Fund.

The compensated absences liability will be liquidated by several of the Commission’s governmental funds. In the past, approximately 56% has been paid by the General Fund, 24% by the Gasoline Tax Special Revenue Fund, and the remainder by the other governmental funds.

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

	State Gasoline Tax Anticipation Warrants, Series 2013-A		General Obligation Warrants, Series 2010-A	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2016	$ 190,000.00	$ 160,523.76	$ 465,000.00	$116,425.00
2017	200,000.00	155,623.76	475,000.00	102,325.00
2018	200,000.00	149,623.76	490,000.00	87,850.00
2019	205,000.00	143,548.76	510,000.00	72,850.00
2020	210,000.00	137,323.76	520,000.00	54,800.00
2021-2025	1,160,000.00	585,818.80	1,110,000.00	44,800.00
2026-2030	1,355,000.00	387,459.38		
2031-2034	1,290,000.00	107,087.50		
Total	$4,810,000.00	$1,827,009.48	$3,570,000.00	$479,050.00

Warrant Issuance Costs, Deferred Charges on Refunding, and Premium

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

	Premiums	Loss on Early Extinguishment of Debt
Balance Loss on Refunding and Premium	$164,461.23	$198,879.27
Current Amount Amortized	(23,218.05)	(28,077.08)
Balance Loss on Refunding and Premium	$141,243.18	$170,802.19

General Obligation Warrants/USDA Loan		Capital Lease Contracts Payable		Total Principal and Interest Requirements
Principal	Interest	Principal	Interest	to Maturity
$ 10,000.00	$ 11,700.00	$110,704.92	$2,525.57	$ 1,066,879.25
10,000.00	11,250.00	28,097.41	362.67	982,658.84
10,000.00	10,800.00	8,221.64	85.58	956,580.98
10,000.00	10,350.00			951,748.76
10,000.00	9,900.00			942,023.76
70,000.00	41,400.00			3,012,018.80
80,000.00	24,750.00			1,847,209.38
60,000.00	5,400.00			1,462,487.50
$260,000.00	$125,550.00	$147,023.97	$2,973.82	$11,221,607.27

Pledged Revenues

The Commission issued Series 2013-A State Gasoline Tax Anticipation Warrants which are pledged to be repaid from state four cents gasoline taxes levied on the sale, use, consumption, distribution, storage and withdrawal from storage of gasoline, as defined in the ***Code of Alabama 1975***, Section 40-17-322, and levied by Act Number 2011-565, Acts of Alabama. The warrant proceeds were used to help fund road rehabilitation with the Alabama Transportation Rehabilitation and Improvement Program (ATRIP). Future revenues in the amount of $6,637,009.48 are pledged to repay the principal and interest on the warrants as of September 30, 2015. Proceeds of the state four cent gasoline tax in the amount of $874,043.15 were received by the Commission during the fiscal year ending September 30, 2015, of which $349,273.76 were used to pay principal and interest on the warrants. The Series 2013-A State Gasoline Tax Anticipation Warrants will mature in fiscal year 2034.

Note 11 – 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 $1,000,000 per claim for a maximum total coverage of $3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to $1,000,000 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 has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee’s Health Insurance Board (SEHIB). They may choose to participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan’s actuary and are based on the pool’s claims experience, considering any remaining fund balance on hand available for claims.

Note 12 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2015, were as follows:

	Interfund Receivables	
	General Fund	Total
Interfund Payables:		
Other Governmental Funds	$62,251.96	$62,251.96
Total	$62,251.96	$62,251.96

Interfund Transfers

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

	Transfers In		
	General Fund	Other Governmental Funds	Total Governmental Funds
Transfers Out:			
General Fund	$	$611,915.78	$611,915.78
Other Governmental Funds	35,000.00		35,000.00
Total	$35,000.00	$611,915.78	$646,915.78

Note 13 – 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 Commission.

Note 14 – Restatements

In fiscal year 2015, the Marshall County Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions***. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement required a restatement to beginning net position. The adoption of this statement has a significant impact on the Marshall County Commission's financial statements. For fiscal year 2015, the Commission made prior period adjustments due to the adoption of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position in governmental activities. The result is a decrease in net position at October 1, 2014, of $5,863,175.00.

The impact of this restatement on the net position as previously reported is as follows:

Net Position, September 30, 2014, as Previously Reported	$28,628,333.14
Restatements:	
Net Pension Liability Due to the Adoption of GASB Number 68	(5,863,175.00)
Net Position, September 30, 2014, as Restated	$22,765,158.14

Required Supplementary Information

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

		2015
Total pension liability		
Service cost	$	629,339
Interest		1,781,498
Benefit payments, including refunds of employee contributions		(1,407,771)
Net change in total pension liability		1,003,066
Total pension liability - beginning		22,972,609
Total pension liability - ending (a)	$	23,975,675
Plan fiduciary net position		
Contributions - employer	$	461,057.00
Contributions - employee		485,592
Net investment income		1,942,087
Benefit payments, including refunds of employee contributions		(1,407,771)
Other (Transfers among employers)		(463,625)
Net change in plan fiduciary net position		1,017,340
Plan fiduciary net positions - beginning		16,648,377
Plan fiduciary net positions - ending (b)	$	17,665,717
Commission's net pension liability - ending (a) - (b)	$	6,309,958
Plan fiduciary net position as a percentage of the total pension liability		73.68%
Covered-employee payroll (*)	$	6,486,284
Commission's net pension liability as a percentage of covered-employee payroll		97.28%

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

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

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

		2015		2014
Actuarially determined contribution	$	477,451	$	461,057
Contributions in relation to the actuarially determined contribution	$	477,451	$	461,057
Contribution deficiency (excess)	$		$	
Covered-employee payroll	$	7,070,841	$	6,486,284
Contributions as a percentage of covered-employee payroll		6.75%		7.11%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

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

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

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

	Budgeted Amounts		Actual Amounts
	Original	**Final**	**Budgetary Basis**
Revenues			
Taxes	$ 5,917,920.90	$ 5,846,941.85	$ 6,100,672.85
Licenses and Permits	96,000.00	96,000.00	93,701.00
Intergovernmental	1,826,850.00	1,826,850.00	1,953,585.55
Charges for Services	1,433,500.00	1,433,500.00	1,502,058.19
Miscellaneous	99,477.40	122,075.78	143,313.95
Total Revenues	9,373,748.30	9,325,367.63	9,793,331.54
Expenditures			
Current:			
General Government	3,705,470.92	3,810,993.03	3,613,407.55
Public Safety	5,300,861.49	5,613,349.28	5,012,676.99
Highways and Roads			
Health	82,049.51	98,449.51	104,178.58
Welfare	145,691.15	194,035.93	183,193.27
Culture and Recreation		44,749.59	9,838.27
Education	18,000.00	33,000.00	40,049.66
Capital Outlay			157,774.90
Debt Service:			
Principal			
Interest and Fiscal Charges			
Intergovernmental	200,000.00	200,000.00	290,219.30
Total Expenditures	9,452,073.07	9,994,577.34	9,411,338.52
Excess (Deficiency) of Revenues Over Expenditures	(78,324.77)	(669,209.71)	381,993.02
Other Financing Sources (Uses)			
Transfers In	931,837.48	1,082,621.63	1,102,648.24
Sale of Capital Assets		14,580.00	14,580.00
Transfers Out	(836,613.90)	(961,035.55)	(904,353.94)
Total Other Financing Sources (Uses)	95,223.58	136,166.08	212,874.30
Net Change in Fund Balances	16,898.81	(533,043.63)	594,867.32
Fund Balances - Beginning of Year	107,000.00	645,757.82	6,765,738.66
Fund Balances - End of Year	$ 123,898.81	$ 112,714.19	$ 7,360,605.98

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	$ 2,503,295.94	$ 8,603,968.79
		93,701.00
(1)	442,598.42	2,396,183.97
(1)	108,125.00	1,610,183.19
(1)	63,362.11	206,676.06
	3,117,381.47	12,910,713.01
(2)	142,813.72	3,756,221.27
(2)	310,300.44	5,322,977.43
(2)	1,464,057.78	1,464,057.78
		104,178.58
		183,193.27
(2)	117,088.84	126,927.11
		40,049.66
(2)	382,236.61	540,011.51
(2)	120,699.08	120,699.08
(2)	5,704.13	5,704.13
		290,219.30
	2,542,900.60	11,954,239.12
	574,480.87	956,473.89
(3)	(1,067,648.24)	35,000.00
(3)	114,218.12	128,798.12
(3)	292,438.16	(611,915.78)
	(660,991.96)	(448,117.66)
	(86,511.09)	508,356.23
(4)	5,195,301.44	11,961,040.10
	$ 5,108,790.35	$ 12,469,396.33

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

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

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

(1) Revenues		
Park	$	108,725.00
Public Buildings, Roads, and Bridges		2,434,583.31
Courthouse and Jail		505,373.53
Emergency Management		68,699.63
(2) Expenditures		
Park		(117,088.84)
Public Buildings, Roads, and Bridges		(2,049,207.77)
Courthouse and Jail		(75,925.49)
Emergency Management		(300,678.50)
(3) Other Financing Sources/(Uses), Net		
Park	$	(17,750.09)
Drug Enforcement		(0.01)
Public Buildings, Roads, and Bridges		(475,220.73)
Courthouse and Jail		(400,000.00)
Emergency Management		231,978.87
Net Change in Fund Balance - Budget to GAAP		

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

$	3,117,381.47
	(2,542,900.60)
	(660,991.96)
$	(86,511.09)

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

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	$	$ 400,000.00	$ 439,605.38
Miscellaneous			2,910.88
Total Revenues		400,000.00	442,516.26
Expenditures			
Current:			
General Government		200,000.00	
Total Expenditures		200,000.00	
Excess (Deficiency) of Revenues Over Expenditures		200,000.00	442,516.26
Net Change in Fund Balances		200,000.00	442,516.26
Fund Balances - Beginning of Year			4,200,484.66
Fund Balances - End of Year	$	$ 200,000.00	$ 4,643,000.92

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 439,605.38
	2,910.88
	442,516.26
	442,516.26
	442,516.26
	4,200,484.66
$	$ 4,643,000.92

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

	Budgeted Amounts		Actual Amounts
	Original	**Final**	**Budgetary Basis**
Revenues			
Taxes	$ 928,525.43	$ 1,267,367.58	$ 885,024.54
Miscellaneous		1,213.00	4,717.35
Total Revenues	928,525.43	1,268,580.58	889,741.89
Expenditures			
Current:			
General Government	928,525.43	1,268,580.58	879,741.89
Capital Outlay			10,000.00
Total Expenditures	928,525.43	1,268,580.58	889,741.89
Net Change in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	$	$	$

Budget to GAAP Differences	Actual Amounts GAAP Basis
$	$ 885,024.54
	4,717.35
	889,741.89
	879,741.89
	10,000.00
	889,741.89
$	$

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2015	$0	$9,007,795	$9,007,795	0%	$3,326,790	270.77%
09/30/2013 (*)	$0	$8,552,518	$8,552,518	0%	$4,011,783	213.18%
09/30/2012	$0	$8,568,410	$8,568,410	0%	$4,378,823	195.68%

(*) Includes the updated actuarial assumptions and plan design based on the introduction of a new tier of membership for those hired on or after January 1, 2013.

Additional Information

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

Commission Members		**Term Expires**
Hon. James Hutcheson	Chairman	2018
Hon. David Kelley	Commissioner	2020
Hon. R. E. Martin	Commissioner	2020
Hon. William Stricklend, III	Commissioner	2018
Hon. Tamey Hale	Commissioner	2014
Hon. Jessie Swords	Commissioner	2018
Administrative Personnel		
Shelly Fleisher	County Administrator	Indefinite

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

Independent Auditor's Report

To: Members of the Marshall County Commission and County Administrator

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Marshall County Commission's basic financial statements and have issued our report thereon dated January 30, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Montgomery, Alabama

January 30, 2017