

Report on the

# Marshall County Commission

Marshall County, Alabama

October 1, 2003 through September 30, 2004

Filed: October 28, 2005



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*







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Ronald L. Jones  
Chief Examiner

State of Alabama  
Department of  
**Examiners of Public Accounts**

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the Marshall County Commission for the period October 1, 2003 through September 30, 2004.

**SCOPE AND OBJECTIVES**

This report encompasses an audit of the financial statements of the Marshall County Commission (the "Commission") and a review of compliance by the Commission with applicable laws and regulations of the State of Alabama and federal financial assistance programs. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America for financial audits. The objectives of the audit were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission has complied with applicable laws and regulations.

**CONTENTS OF REPORT**

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Independent Auditor's Report** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.

3. **Management's Discussion and Analysis (MD&A)** – a component of Required Supplementary Information (RSI) prepared by the management of the Marshall County Commission introducing the basic financial statements and providing an analytical overview of the Commission's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.
4. **Financial Section** – includes basic financial statements (Exhibits 1 through 8), and notes to the financial statements.
5. **Required Supplementary Information** – includes Budget to Actual Comparisons (Exhibits 9 through 13) which contains supplementary information required by the Governmental Accounting Standards Board. The MD&A discussed above is also considered RSI.
6. **Supplementary Information** – includes the Schedule of Expenditures of Federal Awards (Exhibit 14), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.
7. **Additional Information** – contains basic information related to the Commission (Exhibit 15) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

**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** (Exhibit 16) – a report on internal control related to the financial statements and on whether the Commission has complied with laws and regulations which could have a direct and material effect on the Commission's financial statements.

**Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133** (Exhibit 17) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

**Schedule of Findings and Questions Costs** (Exhibit 18) – a report summarizing the results of the audit findings relating to the financial statements as required by **Government Auditing Standards** and findings and questioned costs for federal awards as required by OMB Circular A-133.

**Auditee Response/Corrective Action Plan** (Exhibit 19) – a response by the Commission on the results of the audit and corrective action plan for federal audit findings.



### **AUDIT COMMENTS**

The Marshall County Commission provides public safety services, sanitation services, health and welfare services, educational, cultural and recreational services, and highway construction and maintenance services to the citizens of Marshall County.

The Commission is a five-member body that consists of the Chairman, who serves as the presiding officer, and four Commissioners, who represent the four districts in the County. The Commission appropriates funds on an annual basis for the general operations of the Commission, including the offices of all county officials and the four road departments. It operates under the authority of Act Number 633, Acts of Alabama 1976, page 870. The duties of the Chairman and Commissioners are further defined by Act Number 79-466, Acts of Alabama, page 848.

The minutes of the Commission's meeting were properly approved and appeared to reflect pertinent actions of the Commission.

### **AUDIT FINDING**

- ◆ Procedures were not in place to ensure that a physical inventory of the Commission's capital assets was performed.

### **SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL**

As indicated in Exhibit 17, the Commission complied, in all material respects, with requirements applicable to its major federal programs. No material weaknesses were noted in the internal control over compliance and its operation with respect to the Commission's major programs.

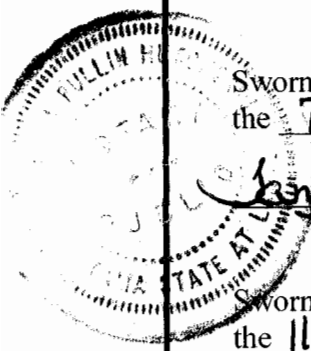
### **STATUS OF PRIOR AUDIT**

Findings contained in the prior audit have been resolved, except for the following:

- ◆ According to the Marshall County Personnel Board Handbook (11.2.1), all time that an employee works in a workweek should be accounted for in accordance with procedures established by the Commission. Employees that work in the Commission's central office are required to document their work time through use of a time clock. Some employees in the central office did not always clock in and out in accordance with this procedure.

### **RECOMMENDATIONS**

- ◆ Controls should be established to ensure that a physical inventory of capital assets is performed.
- ◆ All Commission employees should follow the Commission's policy regarding documentation of their work time.



Sworn to and subscribed before me this  
the 7 day of October, 2005.

*Angela P. Hetherington*  
Notary Public

Sworn to and subscribed before me this  
the 11<sup>th</sup> day of October, 2005.

*Sandra E. Shirley*  
Notary Public

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Respectfully submitted,

*Glenda N. Bowens*

Glenda N. Bowens  
Examiner of Public Accounts

*Barbara C. Peak*

Barbara C. Peak  
Examiner of Public Accounts

## *Independent Auditor's Report*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission (the "Commission"), as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Marshall County Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

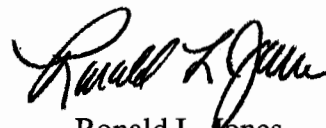
The financial statements referred to above include only the primary government, the Marshall County Commission, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Commission's legal entity. The financial statements do not include all the financial data of the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Marshall County, as of September 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 for the primary government, the Marshall County Commission, as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2005 our consideration of the Marshall County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 13) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 14) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

April 28, 2005

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

# **MARSHALL COUNTY COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

Marshall Commission management's discussion and analysis for the fiscal year ended September 30, 2004, is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activities, (c) identify any material deviations from the financial plan (the approved budget), and (d) identify financial issues and concerns.

The reader should be able to identify the changes in the Commission's financial position and analyze the ability of the Commission to meet future needs.

Marshall County Commission encourages readers to read and evaluate this information in conjunction with all sections of this report, which includes government-wide statements, fund statements, including footnotes and of the Required Supplemental Information (RSI) that is provided in addition to the MD&A.

## **Financial Highlights**

Commission's Net Assets and Changes in Net Assets are presented in a condensed version Table I and Table II.

- The Commission's net assets exceeded its liabilities by \$14,064,676.08 with the change in net assets being an increase over last year by \$1,131,907.14.
- The Commission's taxes and other revenues for governmental programs (excluding transfers) were \$10,708,175.29, 4.8% increase of last year.
- Total expenses for the Commission were \$17,067,547.58 (6.98% decrease from last fiscal year) in all governmental activities.
- Under the new Guidelines of GASB 34, the accumulated depreciation was \$8,896,256.26.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements that are composed of: government-wide financial statements, fund financial statements, and notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

### **Government-Wide Financial Statements:**

- The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private-sector business.
- The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

- The statement of activities presents information showing how the Commission's net assets changed during the most recent fiscal year. The statement includes the financial activities of the primary government, except for fiduciary activities. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation and sick leave).
- To assess the overall condition of the Commission, you must consider additional non-financial factors such as changes in the Commission's property tax base and the condition of the Commission's infrastructure, building and other facilities.
- The government-wide financial statements distinguish functions of the Commission that are principally supported by taxes and intergovernmental revenue (government activities).
- In the government-wide financial statements the Commission's services are shown in the category of governmental activities. Most of the Commission's services are general government, public safety, highways and roads, sanitation, health, welfare, culture and recreation, education, interest and fiscal charges, and intergovernmental.

### **Fund Financial Statements**

Major governmental funds are the focus in the fund financial statements instead of the Commission as a whole. The Commission establishes many funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, bond covenant, and other money.

- Governmental funds – Most of the Commission's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation's to the government-wide financial statements.
- Fiduciary funds – The Commission is the trustee, or fiduciary, and responsible for assets of various agency funds that can be used only for the fiduciary beneficiaries. The Commission is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Commission's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. They are excluded from the Commission's government-wide financial statements because the County cannot use their assets to finance its operations.

## Financial Analysis of the Commission

The total net assets of the Commission for the fiscal year 2004 were \$14,064,676.08, with fiscal year 2003 being \$12,932,768.94. At the end of the current fiscal year the Commission was able to present a positive net assets with an increase of \$1,131,907.14. Net assets of the Commission are summarized and analyzed below:

Table I

	<b>NET ASSETS</b>	
	<b>September 30, 2004</b>	
	Government Activities	
	<u>2004</u>	<u>2003</u>
Current and other assets	\$12,762,183.58	\$12,082,403.02
Capital Assets	<u>17,306,347.76</u>	<u>16,901,191.00</u>
<b>Total Assets</b>	<b>\$30,460,622.10</b>	<b>\$28,983,594.02</b>
Long-term debt outstanding	\$ 8,010,680.84	\$ 9,299,732.62
Other Liabilities	<u>8,385,265.18</u>	<u>6,751,092.46</u>
<b>Total Liabilities</b>	<b>\$16,395,946.02</b>	<b>\$16,050,825.08</b>
Net Assets		
Invested in capital assets, Net of related debt	\$ 9,164,276.07	\$ 8,000,523.09
Restricted	1,451,017.47	1,858,598.53
Unrestricted	<u>3,449,382.54</u>	<u>3,073,647.32</u>
<b>Total Net Assets</b>	<b>\$14,064,676.08</b>	<b>\$12,932,768.94</b>

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. Assets exceeded liabilities by \$14,064,676.08 as of September 30, 2004. This was an increase of \$1,131,907.14 over last fiscal year.



The largest portion of the Commission's net assets (65.2%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, etc.) less any related debt outstanding used to acquire those assets. The Commission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

The restricted portion of the Commission's net assets (10.3%) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets, 18% compared to 16.2% last fiscal year is for the repayment of long-term debt, 74% is for road projects with the percentage of 45.2 % for the fiscal year 2004. The balance of 7% is restricted for the Commission's special revenue funds.

The remaining portion of the Commission's net assets (24.5%) unrestricted and may be used to meet the Commission's ongoing obligations to citizens and creditors.

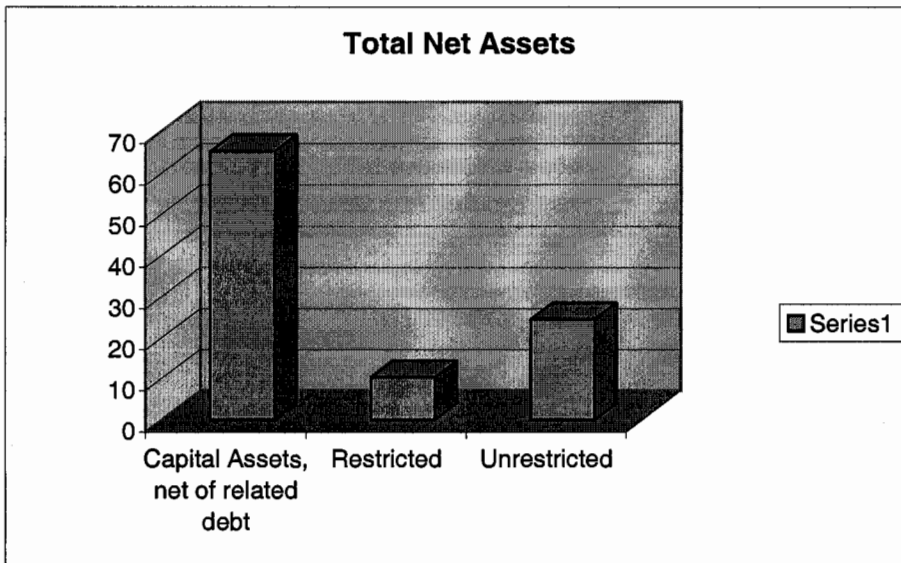


Table II

**CHANGES IN NET ASSETS  
SEPTEMBER 30, 2004**

	Government Activities	
	<u>2004</u>	<u>2003</u>
<b><u>Revenue</u></b>		
<b>Program Revenues:</b>		
Changes for Services	\$ 1,742,585.26	\$ 2,177,409.01
Operating Grants & Contributions	5,649,141.49	6,432,884.98
Capital Grants & Contributions	99,552.68	1,898,794.65
<b>General Revenues:</b>		
Property Taxes for General Purpose	3,294,905.40	3,398,957.74
Property Taxes for Specific Purpose	2,836,237.85	2,727,628.25
County Gasoline Sales Tax	516,822.19	522,150.48
Other County Sales and Use Taxes	360,585.43	232,374.02
Miscellaneous Taxes	2,634,346.75	548,526.38
Interest Earned	63,523.38	88,312.07
Miscellaneous	<u>1,001,754.29</u>	<u>2,696,212.29</u>
<b>TOTAL REVENUE</b>	<b>\$18,199,454.72</b>	<b>\$20,723,249.87</b>
<b><u>Expense</u></b>		
General Government	\$ 5,504,157.85	\$ 5,508,162.16
Public Safety	5,282,308.22	4,996,441.48
Highways & Roads	3,988,159.02	4,722,888.49
Sanitation	92,708.09	1,076,349.45
Health	85,888.92	71,433.58
Welfare	1,192,824.08	1,075,409.21
Culture & Recreation	256,874.24	224,258.71
Education	88,212.31	103,653.06
Interest & Fiscal Charges	414,487.11	431,347.46
Intergovernmental	<u>161,927.74</u>	<u>137,594.39</u>
<b>TOTAL EXPENSE</b>	<b>\$17,067,547.58</b>	<b>\$18,347,537.99</b>
Increase in net assets	\$ 1,131,907.14	\$ 2,375,711.88
Net Assets – Beginning of Year	<u>\$12,932,768.94</u>	<u>\$10,557,057.06</u>
Net Assets – End of Year	\$14,064,676.08	\$12,932,768.94

The total revenue for the Commission during the fiscal year 2004 was \$18,199,454.72 (excluding transfers). Approximately 33.7% of the revenue comes from property taxes, while 2.8% in county sales tax and 14.8% in miscellaneous taxes. Charges for service were 11.2% and interest earned/miscellaneous is 15.4%. The Commission's operating grants and contributions is 31% of total revenue.

The Commission's total expense was \$17,067,547.58 for the fiscal year 2004 (excluding transfers). The expense by functions are as follows; general government 32.2%, public safety 30.9%, highways and roads 23.4%, interest & fiscal charges 2.4%, welfare 7% and health, culture & recreation, education along with intergovernmental beginning 3%.

The Commission was able to fully fund the year's cost and also increase total net assets by \$1,131,907.14.

Table III

**Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$ 5,504,157.85	\$2,800,781.87
Public Safety	5,282,308.22	4,400,273.63
Highway and Roads	3,988,159.02	726,635.25
Other Programs	<u>2,292,922.49</u>	<u>1,648,577.40</u>
Total	\$17,067,547.58	\$9,576,268.15

The governmental activities table provides the reader the Commission's cost of the programs and the net cost of the program. The net cost is total cost less fees generated by the activities and intergovernmental aid. The net cost shows the financial burden that was placed on the Commission's taxpayers by each of the functions.

**Significant Changes in Individual Major Fund Balances**

The following table provides a summary of the changes in fund balances of the Commission's "major" funds.

Table VI

	<u>Beginning Fund Balance</u>	<u>Net Increase (Decrease)</u>	<u>Ending Fund Balance</u>
General	\$ 529,263.88	\$(148,563.20)	380,700.68
Gasoline Tax	348,750.55	45,101.96	393,852.51
Public Building Road and Bridges	765,997.08	(76,923.52)	689,073.56
Reappraisal	14,600.00	95,400.00	110,000.00
Courthouse and Jail	1,195,672.72	7,346.55	1,203,019.27

The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's financing requirement. In particular, unreserved fund balance may serve as a useful measure of the Commission's net resources available for spending at the end of the year.

General Fund – the chief operating fund of the Commission. At the end of the fiscal year the fund balance decrease by \$148,563.21. This is due to a decrease in ad valorem tax, which we have asked the Examiner of Public Accounts to review.

Gasoline Tax Fund – this fund maintained their fund balance with a slight increase of \$45,101.96. Fund balance is maintained due to future road projects.

Public Building, Roads and Bridges Fund – the fund balance was decreased by \$76,923.52 due to transfers to General made in full amount per budget and no transfers last year. Also purchase of road equipment

Reappraisal Fund – the fund balance was somewhat increased by \$110,000.00. This was due to an encumbrance.

Courthouse & Jail Fund – the fund balance was increased by \$7,346.55. This is less than last year due to budget transfer out to General Fund.

### **Budgetary Highlights of Major Funds**

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 commission budgeting operations for the Commission.

The departments and organizations submit their operating expenses requests to the Commission for the coming year. The Commission estimates the revenue and then reviews, adjusts as necessary and then adopts the original budget during the month of September. Expenditures may not legally exceed appropriations.

The budget is divided into two parts – an operating and a capital budget. The operating budget addresses the immediate problems of providing services, paying personnel, travel and equipment. The capital budget addresses major equipment, capital improvements and public works projects.

Throughout the year, the Commission and commission management will compare the original adopted budget to actual results of operations. A determination is then made of what, if any, amendments need to be made to the original budget to reflect changes in funding needs. Any changes must be within the revenues and reserves estimated to be available.

- General Fund – Budget for expenditures exceed the final expenditures budget by \$339,253.00. The major change in budget amendment was in the category of General Government for \$577,585.83, with the main reason being budgeting employees insurance.

## Capital Assets and Debt Administration

### Capital Assets

GASB 34 requires the Commission to report new infrastructure assets effective with the beginning of the fiscal year 2003. The Commission adopted new thresholds for items in its list of capital assets. All existing assets were evaluated and those that did not meet the new thresholds were removed from the list. Depreciation of all assets is now recorded on an annual basis, with the exception of land and improvements, construction in progress and infrastructure in progress. This is on a straight-line method of depreciation.

The following table provides a reconciliation of capital assets for the year ended September 30, 2004.

Table V

<b>CAPITAL ASSETS</b>	
Land	\$1,003,385.99
Infrastructure	4,633,480.00
Infrastructure in Progress	.00
Buildings & Improvements	12,122,412.39
Motor Vehicles, Equipment & Furniture	7,393,545.28
Assets Under Capital Lease	1,049,780.36
Less: Accumulated Depreciation	<u>(8,896,256.26)</u>
 Total Assets	 \$17,306,347.76

### Long-Term Obligations

As of September 30, 2004, the Commission's long-term outstanding debt was \$8,539,392.65. This was a decrease of \$760,339.97 from the previous fiscal year.

The Commission issued a \$345,000.00 in 2003 warrant/USDA loan for the purchase of a building to provide a public daycare center. A lease agreement was entered into between the Commission and the Childcare Resource Network, Inc. for rental payments on the building.

Table VII

**LONG-TERM DEBT**

Notes Payable	\$ 327,386.52
Capital Lease Contracts Payable	214,685.17
Warrants Payable	7,600,000.00
Estimated Liability for Compensated Absences	<u>397,320.96</u>
Total long-term debt	\$8,539,392.65

**ECONOMIC FACTORS AND CONDITIONS**

- Property tax revenue is a major resource component for the Commission. The last re-evaluation of all real and personal property within the County was during 2002. This resulted in a significant increase of 14.5% to property values, with a corresponding increase in the taxes collected. Our next full re-evaluation is to be collected for the fiscal year 2005-2006. Based on historical information, it is expected that the average yearly increase in property values due to normal maintenance will be approximately 1.8% per year. Property taxes for the fiscal year 2004 was slightly down. Marshall County is to be placed on the list of Commission's that will conduct a full on-going appraisal each year, which should increase our property values and collections yearly.
- Addition to the Albertville Courthouse, which was completed in 2003 and the purchase of four buildings were renovated in 2004. This will have a significant increase in utilities.
- The Commission received several new grants due to the Homeland Security starting in 2004.
- Due to shortfalls all department's budgets were decreased by 8.3% for the fiscal year 2004.
- During the fiscal year 2004, the County asked the Personnel Board not to give merit pay raises. If the County gives merit increases for the fiscal year 2005 the approximate cost will be \$270,000.00.
- Health insurance is planned to increase \$112.00 per employee, per month during the fiscal year 2005 for an additional cost of \$360,000.00. During the fiscal year 2006 no increases are anticipated.

- Act number 2004-629 will levy a tax called the “Uniform Severance Tax Act” primarily to compensate the County for the use of its roads and infrastructure. This tax should generate approximately \$100,000.00 per year for the districts accounts. The revenue will be received during the fiscal year 2005.
- An election was held, increasing the expenses, for the volunteer fire department during 2004. This did not pass.

## **CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Commission’s finances and to demonstrate the Commission’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Administrator, Marshall County Commission 424 Blount Avenue, Guntersville, Alabama 35976.

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***Statement of Net Assets***  
***September 30, 2004***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 3,027,493.21
Investments	1,503,620.20
Receivables, Net (Note 4)	1,094,936.10
Ad Valorem Taxes Receivable, Net	6,523,180.57
Lease Receivable	612,953.50
Restricted Cash with Fiscal Agent	392,090.76
Capital Assets (Note 5):	
Nondepreciable	1,003,385.99
Depreciable, Net	16,302,961.77
	<hr/>
Total Assets	30,460,622.10
	<hr/>
<b><u>Liabilities</u></b>	
Payables (Note 9)	287,580.07
Deferred Revenue	6,855,026.58
Accrued Wages Payable	248,633.24
Notes Payable	110,000.00
Accrued Interest Payable	131,059.61
Estimated Claims Costs Payable	224,253.87
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Notes Payable	131,063.58
Capital Leases Payable	94,479.34
Warrants Payable	295,000.00
Estimated Liability for Compensated Absences	8,168.89
Portion Due or Payable After One Year:	
Notes Payable	196,322.94
Capital Leases Payable	120,205.83
Warrants Payable	7,305,000.00
Estimated Liability for Compensated Absences	389,152.07
	<hr/>
Total Liabilities	16,395,946.02
	<hr/>
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	9,164,276.07
Restricted for:	
Road Projects	1,079,986.32
Debt Service	261,031.15
Other Purposes	110,000.00
Unrestricted	3,449,382.54
	<hr/>
Total Net Assets	\$ 14,064,676.08
	<hr/> <hr/>

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

**Statement of Activities**  
**For the Year Ended September 30, 2004**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities:</b>			
General Government	\$ 5,504,157.85	\$ 1,541,738.87	\$ 1,062,084.43
Public Safety	5,282,308.22	64,060.11	817,974.48
Highways and Roads	3,988,159.02		3,261,523.77
Sanitation	92,708.09		
Health	85,888.92		58,358.16
Welfare	1,192,824.08		449,200.65
Culture and Recreation	256,874.24	136,786.28	
Education	88,212.31		
Interest and Fiscal Charges	414,487.11		
Intergovernmental	161,927.74		
Total Governmental Activities	<u>\$ 17,067,547.58</u>	<u>\$ 1,742,585.26</u>	<u>\$ 5,649,141.49</u>

**General Revenues:**

Taxes:

- Property Taxes for General Purposes
- Property Taxes for Specific Purposes
- County Gasoline Sales Tax
- General Sales Tax
- Miscellaneous Taxes

Interest Earned

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities</u>
\$ 99,552.68	\$ (2,800,781.87)
	(4,400,273.63)
	(726,635.25)
	(92,708.09)
	(27,530.76)
	(743,623.43)
	(120,087.96)
	(88,212.31)
	(414,487.11)
	(161,927.74)
<u>\$ 99,552.68</u>	<u>(9,576,268.15)</u>

3,294,905.40
2,836,237.85
516,822.19
360,585.43
2,634,346.75
63,523.38
1,001,754.29
<u>10,708,175.29</u>
1,131,907.14
<u>12,932,768.94</u>
<u>\$ 14,064,676.08</u>

***Balance Sheet***  
***Governmental Funds***  
***September 30, 2004***

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 362,824.24	\$ 306,707.69	\$ 97,690.76
Cash with Fiscal Agent			
Investments			587,098.57
Receivables, Net (Note 4)	411,906.37	133,498.70	55,719.15
Ad Valorem Taxes Receivable, Net	3,924,609.87		1,020,896.29
Interfund Receivables	211,273.27		73,872.08
Lease Receivable			
<b>Total Assets</b>	<b>4,910,613.75</b>	<b>440,206.39</b>	<b>1,835,276.85</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities:</b>			
Payables (Note 9)	23,593.80	227.70	
Interfund Payables	1,294.78		
Accrued Wages Payable	150,119.86	45,358.65	18,741.80
Notes Payable			
Deferred Revenue	4,123,249.40		1,127,461.49
Estimated Liability for Compensated Absences	7,401.36	767.53	
Estimated Claims Cost Payable	224,253.87		
<b>Total Liabilities</b>	<b>4,529,913.07</b>	<b>46,353.88</b>	<b>1,146,203.29</b>
<b>Fund Balances:</b>			
Reserved For:			
Debt Service			
Encumbrances	27,562.15		
Future Claims	65,729.40		
Unreserved, Reported in:			
General Fund	287,409.13		
Special Revenue Funds		393,852.51	689,073.56
<b>Total Fund Balances</b>	<b>380,700.68</b>	<b>393,852.51</b>	<b>689,073.56</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,910,613.75</b>	<b>\$ 440,206.39</b>	<b>\$ 1,835,276.85</b>

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

Reappraisal Fund	Courthouse and Jail Fund	Other Governmental Funds	Total Governmental Funds
\$ 314,702.08	\$ 301,247.10	\$ 1,644,321.34	\$ 3,027,493.21
		392,090.76	392,090.76
	916,521.63		1,503,620.20
	11,891.82	481,920.06	1,094,936.10
1,344,755.00	232,919.41		6,523,180.57
		22,062.24	307,207.59
		612,953.50	612,953.50
<u>1,659,457.08</u>	<u>1,462,579.96</u>	<u>3,153,347.90</u>	<u>13,461,481.93</u>
187,883.51		75,875.06	287,580.07
		305,912.81	307,207.59
16,818.57		17,594.36	248,633.24
		110,000.00	110,000.00
1,344,755.00	259,560.69		6,855,026.58
			8,168.89
			224,253.87
<u>1,549,457.08</u>	<u>259,560.69</u>	<u>509,382.23</u>	<u>8,040,870.24</u>
80,000.00		1,011,704.01	1,011,704.01
		32,245.00	139,807.15
			65,729.40
			287,409.13
30,000.00	1,203,019.27	1,600,016.66	3,915,962.00
110,000.00	1,203,019.27	2,643,965.67	5,420,611.69
<u>\$ 1,659,457.08</u>	<u>\$ 1,462,579.96</u>	<u>\$ 3,153,347.90</u>	<u>\$ 13,461,481.93</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets  
September 30, 2004***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 5,420,611.69

Amounts reported for governmental activities in the Statement of Net Assets  
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore,  
are not reported as assets in governmental funds. These assets consist of:

Land	\$	1,003,385.99	
Infrastructure		4,633,480.00	
Buildings and Improvements		12,122,412.39	
Motor Vehicles, Equipment and Furniture		7,393,545.28	
Assets Under Capital Lease		1,049,780.36	
Less: Accumulated Depreciation		<u>(8,896,256.26)</u>	
Total Capital Assets			17,306,347.76

Certain liabilities are not due and payable in the current period and therefore are  
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	
Notes Payable	\$ (131,063.58)	(196,322.94)	
Capital Lease Contracts Payable	(94,479.34)	(120,205.83)	
Warrants Payable	(295,000.00)	(7,305,000.00)	
Accrued Interest Payable	(131,059.61)		
Estimated Liability for Compensated Absences		<u>(389,152.07)</u>	
Total Long-Term Liabilities	<u>\$ (651,602.53)</u>	<u>\$ (8,010,680.84)</u>	<u>(8,662,283.37)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 14,064,676.08

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, 2004***

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<b><u>Revenues</u></b>			
Taxes	\$ 3,896,967.20	\$	\$ 1,551,518.18
Licenses and Permits	311,908.61		11,340.20
Intergovernmental	1,780,633.02	1,466,801.25	42,476.59
Charges for Services	1,272,991.70		
Miscellaneous	487,687.60	68,212.35	13,914.35
Total Revenues	<u>7,750,188.13</u>	<u>1,535,013.60</u>	<u>1,619,249.32</u>
<b><u>Expenditures</u></b>			
Current:			
General Government	3,058,403.46		135,684.86
Public Safety	4,134,008.83		
Highways and Roads		1,793,538.22	765,713.62
Sanitation	21,269.40		
Health	82,648.92		
Welfare	119,875.69		
Culture and Recreation			
Education	88,212.31		
Capital Outlay	160,581.14	27,600.00	94,098.12
Debt Service:			
Principal Retirement	171,116.36	125,532.16	214,869.63
Interest and Fiscal Charges	5,312.15	6,217.03	20,694.61
Intergovernmental	161,927.74		
Total Expenditures	<u>8,003,356.00</u>	<u>1,952,887.41</u>	<u>1,231,060.84</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(253,167.87)</u>	<u>(417,873.81)</u>	<u>388,188.48</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	855,454.79	419,064.41	
Sale of Capital Assets	11,030.25	43,911.36	1,000.00
Inception of Capital Leases	64,694.40		
Transfers Out	(826,574.77)		(466,112.00)
Total Other Financing Sources (Uses)	<u>104,604.67</u>	<u>462,975.77</u>	<u>(465,112.00)</u>
Net Changes in Fund Balance	(148,563.20)	45,101.96	(76,923.52)
Fund Balances - Beginning of Year	<u>529,263.88</u>	<u>348,750.55</u>	<u>765,997.08</u>
Fund Balances - End of Year	<u>\$ 380,700.68</u>	<u>\$ 393,852.51</u>	<u>\$ 689,073.56</u>

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



Reappraisal Fund	Courthouse and Jail Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,199,750.18	\$ 311,198.39	\$ 1,113,652.34	\$ 8,073,086.29
	2,877.36	1,962.36	328,088.53
		4,216,705.59	7,506,616.45
		139,542.28	1,412,533.98
4,563.89	17,170.80	232,666.31	824,215.30
1,204,314.07	331,246.55	5,704,528.88	18,144,540.55
1,039,129.06		1,013,352.60	5,246,569.98
		897,728.72	5,031,737.55
		908,185.92	3,467,437.76
		71,438.69	92,708.09
		395.00	83,043.92
		905,627.99	1,025,503.68
		240,434.08	240,434.08
			88,212.31
		1,363,159.54	1,645,438.80
67,649.47		290,000.00	869,167.62
2,135.54		320,860.00	355,219.33
			161,927.74
1,108,914.07		6,011,182.54	18,307,400.86
95,400.00	331,246.55	(306,653.66)	(162,860.31)
		971,276.58	2,245,795.78
		17,746.60	73,688.21
		45,877.00	110,571.40
	(323,900.00)	(629,209.01)	(2,245,795.78)
	(323,900.00)	405,691.17	184,259.61
95,400.00	7,346.55	99,037.51	21,399.30
14,600.00	1,195,672.72	2,544,928.16	5,399,212.39
\$ 110,000.00	\$ 1,203,019.27	\$ 2,643,965.67	\$ 5,420,611.69

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***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2004***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 21,399.30

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures	\$ 1,645,438.80	
Depreciation Expense	<u>(1,221,508.00)</u>	
Total		423,930.80

Repayment of warrants, notes payable, and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 869,167.62

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 Compensated Absences	6,022.64	
Net Increase in Accrued Interest Payable	<u>(59,267.78)</u>	
Total		(53,245.14)

Governmental funds report the proceeds of entering into a capital lease as an increase in financial resources. However, in the Statement of Activities, the proceeds are reflected as long-term debt.

Capital Leases	<u>\$ (110,571.40)</u>	(110,571.40)
----------------	------------------------	--------------

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the changes in net assets differs from the change in fund balance by the cost of the capital assets sold. (18,774.04)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,131,907.14

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

***Statement of Fiduciary Net Assets***  
***Fiduciary Funds***  
***September 30, 2004***

	Private-Purpose Trust Funds	Agency Funds
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$ 223,276.83	\$ 17,389.60
Accounts Receivables	16,619.70	
Total Assets	<u>239,896.53</u>	<u>17,389.60</u>
<b><u>Liabilities</u></b>		
Accounts Payables	4,800.00	17,389.60
Accrued Wages Payable	2,393.94	
Total Liabilities	<u>7,193.94</u>	<u>\$ 17,389.60</u>
<b><u>Net Assets</u></b>		
Held in Trust for Other Purposes	<u>232,702.59</u>	
Total Net Assets	<u>\$ 232,702.59</u>	

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

***Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended September 30, 2004***

	<b>Private-Purpose Trust Funds</b>
<b><u>Additions</u></b>	
Contributions from:	
Excess From Land Sales	\$ 54,419.98
Worthless Check Collection Service Charges	229,060.22
Child Protection	27,516.77
Law Library	99,586.00
Federal Grants	2,531.00
Interest	637.53
Total Additions	<u>413,751.50</u>
<b><u>Deductions</u></b>	
Land Redemption	31,873.63
District Attorney	69,410.59
Public Safety	25,752.74
Culture and Recreation	94,667.38
Welfare	2,531.00
Intergovernmental	153,825.77
Total Deductions	<u>378,061.11</u>
Changes in Net Assets	35,690.39
Net Assets - Beginning of Year	<u>197,012.20</u>
Net Assets - End of Year	<u><u>\$ 232,702.59</u></u>

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### **Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Marshall County Commission (the "Commission"), except for the exclusion of the component units discussed below, 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.

In June 1999, the GASB approved Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement provides for significant changes in financial reporting for state and local governments. Some of the significant changes include:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Marshall County Commission's overall financial position and results of operations.
- ◆ Government-wide financial statements prepared using full accrual accounting.
- ◆ Reporting infrastructure assets (roads, bridges, etc.).
- ◆ Recording of depreciation expense on all capital assets.
- ◆ A change in the fund financial statements to focus on major funds.
- ◆ Budget comparison schedules, containing the original budget and amended final budget, for the general fund and each major special revenue fund.

These and other changes are reflected in the accompanying government-wide and fund financial statements (including the notes to the financial statements). The Marshall County Commission implemented the provisions of the Statement in the 2003 fiscal year. The Commission is required to retroactively report infrastructure (assets acquired prior to October 1, 2002) by or before the fiscal year ending 2007.

#### **A. Reporting Entity**

Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization's governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. A potential component unit is considered fiscally dependent if it does not have the authority to do all three of the following: 1) determine its own budget without another government having the authority to approve and modify that budget, 2) levy taxes or set rates or charges without approval by another government, and 3) issue bonded debt without approval by another government.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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Based on the application of the above criteria, the following entities are component units of the Commission: the Marshall County Revenue Commissioner, Probate Judge and Sheriff. Separate legal compliance examination reports are issued for these component units and these reports can be obtained from the State of Alabama, Department of Examiners of Public Accounts.

The accompanying financial statements reflect the activity of the Commission (the primary government), and do not include all of the financial activities of the component units listed above as required by generally accepted accounting principles.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

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

The statement of activities presents a comparison between direct expenses and program revenues for each segment 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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The Commission reports the following major governmental funds:

- ◆ **General Fund** - The general fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, accounted for in the general fund is employee health insurance to self-insure the Commission against liability claims.
- ◆ **Gasoline Tax Fund** - This fund is used to account for the expenditures of the seven-cent State gasoline tax revenue for construction, improvement, maintenance and supervision of highways, bridges and streets.
- ◆ **Public Buildings, Roads and Bridges Fund** - This fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Reappraisal Fund** - This fund is used to account for the expenditures of property taxes for the costs related to the property reappraisal program.
- ◆ **Courthouse and Jail Fund** - This fund is used to account for the expenditures of special county property taxes for maintaining the courthouse and jail.

The Commission reports the following columns:

**Other Governmental Funds:**

- ◆ **Special Revenue Funds** - These funds are used to account for the proceeds of specific revenue sources (other than those derived from special assessments or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.
- ◆ **Debt Service Funds** - These funds are used to account for the accumulation of resources for, and the payment of, the Commission's principal and interest on governmental bonds.
- ◆ **Capital Projects Funds** - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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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, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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

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

##### **1. Deposits and Investments**

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

Investments are valued at fair value.

##### **2. Receivables**

All ad valorem tax and sales tax receivables are shown net of an allowance for uncollectibles. Sales tax receivables are based on the amounts collected within 60 days after year-end. The allowance for uncollectibles for ad valorem taxes is based on past collection experience.

Sales, rental, gas, tobacco and lodging taxes receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

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

Receivables due from external parties are for an amount due from the Law Library Fund.

##### **3. Restricted Assets**

Restricted assets are amounts held by a fiscal agent on the County's behalf for the servicing of long-term debt.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**4. Capital Assets**

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

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

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

GASB Statement Number 34 requires the Commission to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2003. These infrastructure assets are likely to be the largest asset class of the Commission. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period of up to four years. The Commission is currently reporting bridges built or acquired since June 30, 1980. The Commission will retroactively report roads and any other infrastructure built or acquired since June 30, 1980, at or before the beginning of fiscal year 2007.

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### **5. Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

#### **6. Compensated Absences**

The Commission has a standard leave policy for its full-time employees as to sick, annual and compensatory leave. The Marshall County Personnel Board establishes rules and regulations governing leaves of absence as provided under Act Number 82-206, Acts of Alabama, page 242.

##### **Annual Leave**

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

##### **Sick Leave**

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

##### **Compensatory Leave**

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Employees may accrue compensatory time for hours worked in excess of forty hours per week. Employees may use these hours for additional time off or be paid at one and one-half times the regular rate of pay. Compensatory time must be used within ninety days of accrual.

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

As of September 30, 2004, the liability for accrued annual, sick and compensatory leave is approximately \$397,320.96. That includes the current portion of \$8,168.89 and the long-term portion of \$389,152.07.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### 7. Net Assets/Fund Equity

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

- ◆ **Invested in Capital Assets, Net of Related Debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted** - Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

#### Note 2 - Stewardship, Compliance, and Accountability

##### Budgets

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 county budgeting operations for the Marshall County Commission. Under the terms of these local 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 amounts 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.

The budget is an operating budget and it addresses the immediate problems of providing services, paying personnel, travel and equipment.

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### Note 3 - Deposits and Investments

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

Statutes authorize the Commission to invest in obligations of the U. S. Treasury and federal agency securities. The Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department or agent but not in the Commission's name.

	Category			Reported Amount	Fair Value
	1	2	3		
Repurchase Agreement	\$	\$3,526,118.82	\$	\$3,526,118.82	\$3,526,118.82

The repurchase agreement is included with "cash and cash equivalents" in the government-wide and fund financial statements.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**Note 4 - Receivables**

On September 30, 2004, receivables for the Commission's individual major funds and nonmajor funds in the aggregate, are as follows:

Governmental Funds	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund	Courthouse and Jail Fund	Other Governmental Funds	Total
<b>Receivables:</b>						
Accounts Receivable	\$407,106.37	\$133,498.70	\$55,719.15	\$11,891.82	\$481,920.06	\$1,090,136.10
Receivable from External Parties	4,800.00					4,800.00
<b>Total Receivables</b>	<b>\$411,906.37</b>	<b>\$133,498.70</b>	<b>\$55,719.15</b>	<b>\$11,891.82</b>	<b>\$481,920.06</b>	<b>\$1,094,936.10</b>

**Deferred Revenues**

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2004, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes Receivable	\$6,449,856.89	\$
Ad Valorem Motor Vehicle Taxes Receivable		405,169.69
<b>Total Deferred/Unearned Revenue for Governmental Funds</b>	<b>\$6,449,856.89</b>	<b>\$405,169.69</b>

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2004**

**Note 5 - Capital Assets**

Capital asset activity for the year ended September 30, 2004, was as follows:

	Balance 10/01/2003	Additions	Retirements	Balance 9/30/2004
<b><u>Governmental Activities:</u></b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land and Improvements	\$ 967,885.00	\$ 35,500.99	\$	\$ 1,003,385.99
Infrastructure in Progress - Bridges	1,340,322.00		(1,340,322.00)	
Total Capital Assets, Not Being Depreciated	<u>2,308,207.00</u>	<u>35,500.99</u>	<u>(1,340,322.00)</u>	<u>1,003,385.99</u>
<b>Capital Assets Being Depreciated:</b>				
Infrastructure - Bridges	2,300,000.00	2,333,480.00		4,633,480.00
Buildings and Improvements	12,122,408.00	4.39		12,122,412.39
Motor Vehicles, Furniture and Equipment	6,818,060.34	1,021,205.74	(455,720.80)	7,393,545.28
Equipment Under Capital Leases	1,454,210.68	110,571.40	(515,001.72)	1,049,780.36
Total Capital Assets Being Depreciated	<u>22,694,679.02</u>	<u>3,465,261.53</u>	<u>(960,722.52)</u>	<u>25,199,218.03</u>
<b>Less Accumulated Depreciation for:</b>				
Infrastructures - Bridges	(449,999.00)	(69,914.00)		(519,913.00)
Buildings and Improvements	(3,590,488.00)	(303,060.00)		(3,893,548.00)
Motor Vehicles, Furniture and Equipment	(3,614,641.67)	(721,625.00)	426,946.76	(3,909,319.91)
Equipment Under Capital Lease	(446,566.35)	(126,909.00)		(573,475.35)
Total Accumulated Depreciation	<u>(8,101,695.02)</u>	<u>(1,221,508.00)</u>	<u>426,946.76</u>	<u>(8,896,256.26)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,592,984.00</u>	<u>2,243,753.53</u>	<u>(533,775.76)</u>	<u>16,302,961.77</u>
Total Governmental Activities Capital Assets, Net	<u>\$16,901,191.00</u>	<u>\$ 2,279,254.52</u>	<u>\$(1,874,097.76)</u>	<u>\$17,306,347.76</u>

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

	Current Year Depreciation Expense
<b><u>Governmental Activities:</u></b>	
General Government	\$ 397,136.00
Public Safety	243,563.00
Highway and Roads	427,812.00
Health	2,845.00
Welfare	140,297.00
Culture and Recreation	9,855.00
Total Depreciation Expense - Governmental Activities	<u>\$1,221,508.00</u>



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### Note 6 - Defined Benefit Pension Plan

##### A. Plan Description

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

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

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**B. Funding Policy**

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. As of January 1, 2001, full-time law enforcement officers are required by statute to contribute 6 percent of their salary to the Employees' Retirement System. The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2004 was 4.19 percent based on the actuarial valuation performed as of September 30, 2002.

**C. Annual Pension Cost**

For the year ended September 30, 2004, the Commission's annual pension cost of \$244,922 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2003, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The funding excess is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2003, was 20 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2004	\$244,922	100%	\$0
9/30/2003	\$188,734	100%	\$0
9/30/2002	\$192,002	100%	\$0

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2004**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	Percentage of Covered Payroll [(b-a)/c]
9/30/2003**	\$12,220,694	\$12,588,001	\$367,307	97.1%	\$5,927,152	6.2%
9/30/2002***	\$11,779,343	\$11,464,976	(\$314,367)	103.0%	\$5,401,261	( 6.0%)
9/30/2001****	\$11,618,919	\$11,030,218	(\$588,701)	105.3%	\$5,027,805	(11.7%)

\* Reflects liability for cost of living benefit increases granted on or after October 1, 1978.  
\*\* Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.  
\*\*\* Reflects effect of DROP if unit elected to enroll prior to June 20, 2003.  
\*\*\*\* Reflects changes in actuarial assumptions (as of September 30, 2001). Also reflects effect of DROP if unit elected to enroll.

**Note 7 - Other Postemployment Benefits (OPEB)**

On October 27, 1986, the Commission approved a motion to provide health insurance for all retired employees and elected officials and to pay the entire premium out of county funds. Also, Act Number 97-506, Acts of Alabama, page 875, allows the Commission to pay life insurance premiums for retirees in the same manner as it currently pays for the active employees from any funds in the County treasury.

The Commission's contributions are on a pay-as-you-go basis, and for the year ending September 30, 2004, the Commission's expenditures to cover approximately 56 participants totaled \$308,050.00 for health insurance and \$2,624.40 for life insurance.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2004*

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#### 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 his total contributions, which at September 30, 2004 amounted to \$22,431.68.

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 - Payables

On September 30, 2004, payables for the Commission's individual major funds and nonmajor funds in the aggregate are as follows:

	Vendors	Other	Total Payables
<u>Governmental Activities:</u>			
General Fund	\$23,593.80	\$	\$ 23,593.80
Gasoline Tax Fund	227.70		227.70
Reappraisal Fund		187,883.51	187,883.51
Other Governmental Funds	75,875.06		75,875.06
Total - Governmental Activities	<u>\$99,696.56</u>	<u>\$187,883.51</u>	<u>\$287,580.07</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**Note 10 - Lease Obligations**

**Capital Leases**

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$1,049,780.36 for governmental activities at September 30, 2004. 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. Until that time, the leased equipment will be identified separately on the balance sheet. 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, 2004.

Fiscal Year Ending	Governmental Activities
September 30, 2005	\$101,182.64
2006	61,601.36
2007	38,058.85
2008	26,590.56
Total Minimum Lease Payments	227,433.41
Less: Amount Representing Interest	(12,748.24)
Present Value of Net Minimum Lease Payments	<u>\$214,685.17</u>

**Operating Leases**

The Commission is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected as part of the Commission's capital assets. During the fiscal year ended September 30, 2004, total costs paid by the Commission were \$97,916.08 for governmental activities. None of these leases had initial or remaining noncancelable lease terms in excess of one year at September 30, 2004.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**Note 11 - Short-Term Debt**

During the year the Commission borrowed money in anticipation of revenue to meet current operating expenses. Short-term debt activity for the year ended September 30, 2004, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable	\$	\$110,000.00	\$	\$110,000.00

**Note 12 - Long-Term Debt**

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

In June 2003, the Commission issued General Obligation Warrants/U.S.D.A. Loan for the purchase of a building to provide a public daycare center. On June 11, 2003, a lease agreement was entered into between the Commission and the Childcare Resource Network, Inc., for rental payments on the building. A lease receivable of \$612,953.50 is reflected in the financial statements at September 30, 2004. The short-term portion of this lease receivable is \$20,300.04.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2004:

	Debt Outstanding 10/1/2003	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 9/30/2004	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Warrants Payable:</b>					
<b>General Obligation Warrants:</b>					
Series 2001	\$7,545,000.00	\$	\$285,000.00	\$7,260,000.00	\$290,000.00
U.S.D.A. Warrant/Loan	345,000.00		5,000.00	340,000.00	5,000.00
Sub-Total Warrants	7,890,000.00		290,000.00	7,600,000.00	295,000.00
Notes Payable	575,499.59		248,113.07	327,386.52	131,063.58
<b>Other Liabilities:</b>					
Capital Lease Contracts Payable	435,168.32	110,571.40	331,054.55	214,685.17	94,479.34
Estimated Liability for Compensated Absences	399,064.71		1,743.75	397,320.96	8,168.89
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$9,299,732.62</b>	<b>\$110,571.40</b>	<b>\$870,911.37</b>	<b>\$8,539,392.65</b>	<b>\$528,711.81</b>

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. In addition, the long-term notes payable are paid from the Public Buildings, Roads, and Bridges Fund. The capital lease contracts payable are paid from the General Fund and from the following Special Revenue Funds: the Gasoline Tax Fund; the Public Buildings, Roads, and Bridges Fund; and the Reappraisal 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, 22% by the Gasoline Tax Special Revenue Fund, and the remainder by the other governmental funds.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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

Fiscal Year Ending	Governmental Activities			
	General Obligation Warrants, Series 2001		General Obligation Warrants/U.S.D.A. Loan	
	Principal	Interest	Principal	Interest
September 30, 2005	\$ 290,000.00	\$ 298,215.00	\$ 5,000.00	\$ 15,300.00
2006	300,000.00	289,872.50	5,000.00	15,075.00
2007	310,000.00	280,335.00	5,000.00	14,850.00
2008	315,000.00	269,863.75	5,000.00	14,625.00
2009	330,000.00	258,407.50	5,000.00	14,400.00
2010-2014	1,835,000.00	1,087,162.50	45,000.00	67,275.00
2015-2019	2,260,000.00	653,040.00	50,000.00	56,250.00
2020-2024	1,620,000.00	117,800.00	65,000.00	44,325.00
2025-2029			75,000.00	28,125.00
2030-2033			80,000.00	9,000.00
Total	<u>\$7,260,000.00</u>	<u>\$3,254,696.25</u>	<u>\$340,000.00</u>	<u>\$279,225.00</u>

**Note 13 - Conduit Debt Obligations**

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

As of September 30, 2004, the principal balance outstanding on the 1994 Series Special Obligation School Refunding Warrants was \$8,055,000.00.



***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

Governmental Activities				Total Principal and Interest Requirements
Notes Payable		Capital Lease Contracts Payable		
Principal	Interest	Principal	Interest	
\$131,063.58	\$ 8,473.92	\$ 94,479.34	\$ 6,703.30	\$ 849,235.14
85,271.07	5,328.93	57,921.80	3,679.56	762,148.86
88,203.95	2,396.05	36,297.91	1,760.94	738,843.85
22,847.92	129.60	25,986.12	604.44	654,056.83
				607,807.50
				3,034,437.50
				3,019,290.00
				1,847,125.00
				103,125.00
				89,000.00
<b>\$327,386.52</b>	<b>\$16,328.50</b>	<b>\$214,685.17</b>	<b>\$12,748.24</b>	<b>\$11,705,069.68</b>

**Note 14 - Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$500,000 per claim for a maximum total coverage of \$2,000,000 and unlimited defense costs.

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. Premiums are based on a rate per \$100 of remuneration for each class of employee which is adjusted by an experience modifier for the individual county less a 15% discount. At year-end, pool participants 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.

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

The Commission is self insured with regard to employee health insurance. The Commission purchases insurance for claims in excess of the aggregate stop loss basis. The aggregate stop loss basis is determined annually based on the Commission's claim experience. An estimate of the claims liability is reported in the general fund, and is based on past experience.

The schedule below presents the changes in claims liabilities for the past three years for the employee health insurance:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2003-2004	\$203,621.31	\$2,098,067.57	\$2,077,435.01	\$224,253.87
2002-2003	\$201,747.73	\$1,643,305.93	\$1,641,432.35	\$203,621.31
2001-2002	\$120,446.30	\$1,461,618.54	\$1,380,317.11	\$201,747.73

**Note 15 - Interfund Receivables and Payables**

**Interfund Receivables and Payables**

The amounts due to/from other funds at September 30, 2004, were as follows:

	Interfund Receivables			Totals
	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	
<u>Interfund Payables</u>				
General Fund	\$	\$	\$ 1,294.78	\$ 1,294.78
Other Governmental Funds	211,273.27	73,872.08	20,767.46	305,912.81
Totals	<u>\$211,273.27</u>	<u>\$73,872.08</u>	<u>\$22,062.24</u>	<u>\$307,207.59</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2004***

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**Interfund Transfers**

The amounts of interfund transfers during the fiscal year ending September 30, 2004, were as follows:

	Transfers Out				Totals
	General Fund	Public Buildings, Roads and Bridges Fund	Courthouse and Jail Fund	Other Governmental Funds	
<b>Transfers In:</b>					
General Fund	\$	\$350,000.00	\$323,900.00	\$181,554.79	\$ 855,454.79
Gasoline Tax Fund		16,000.00		403,064.41	419,064.41
Other Governmental Funds	826,574.77	100,112.00		44,589.81	971,276.58
<b>Totals</b>	<b>\$826,574.77</b>	<b>\$466,112.00</b>	<b>\$323,900.00</b>	<b>\$629,209.01</b>	<b>\$2,245,795.78</b>

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

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*Required Supplementary Information*

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2004***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 3,974,714.98	\$ 4,232,178.98	\$ 3,902,844.27
Licenses and Permits	338,200.00	338,200.00	311,908.61
Intergovernmental	1,516,500.00	1,545,725.00	1,780,633.02
Charges for Services	1,400,684.35	1,400,684.35	1,272,991.70
Miscellaneous	96,700.00	221,075.00	487,687.60
Total Revenues	<u>7,326,799.33</u>	<u>7,737,863.33</u>	<u>7,756,065.20</u>
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	2,930,447.00	3,508,032.83	3,058,403.46
Public Safety	3,989,354.00	4,325,807.12	4,134,008.83
Sanitation	21,650.00	28,650.00	21,269.40
Health	82,480.00	87,480.00	82,648.92
Welfare	138,925.00	159,425.00	119,875.69
Education	63,140.00	88,214.05	88,212.31
Capital Outlay			160,581.14
Debt Service:			
Principal		145,000.00	171,116.36
Interest			5,312.15
Intergovernmental	140,000.00		161,927.74
Total Expenditures	<u>7,365,996.00</u>	<u>8,342,609.00</u>	<u>8,003,356.00</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(39,196.67)</u>	<u>(604,745.67)</u>	<u>(247,290.80)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	854,800.00	854,800.00	855,454.79
Sale of Capital Assets			11,030.25
Other Sources		64,694.00	64,694.40
Transfers Out	(815,603.33)	(860,296.33)	(826,574.77)
Total Other Financing Sources (Uses)	<u>39,196.67</u>	<u>59,197.67</u>	<u>104,604.67</u>
Net Change in Fund Balances		(545,548.00)	(142,686.13)
Fund Balances - Beginning of Year		<u>545,548.00</u>	<u>795,350.02</u>
Fund Balances - End of Year		<u>\$</u>	<u>\$ 652,663.89</u>

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1) \$	(5,877.07)	\$ 3,896,967.20
		311,908.61
		1,780,633.02
		1,272,991.70
		487,687.60
	<u>(5,877.07)</u>	<u>7,750,188.13</u>
		3,058,403.46
		4,134,008.83
		21,269.40
		82,648.92
		119,875.69
		88,212.31
		160,581.14
		171,116.36
		5,312.15
		<u>161,927.74</u>
		<u>8,003,356.00</u>
	<u>(5,877.07)</u>	<u>(253,167.87)</u>
		855,454.79
		11,030.25
		64,694.40
		<u>(826,574.77)</u>
		<u>104,604.67</u>
	(5,877.07)	(148,563.20)
(2)	<u>(266,086.14)</u>	<u>529,263.88</u>
\$	<u>(271,963.21)</u>	<u>\$ 380,700.68</u>

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***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended September 30, 2004***

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**Explanation of differences:**

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

Net Decrease in Fund Balance - Budget to GAAP

- (2) 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. (See Note 2 for a description of the Commission's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.



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\$ (5,877.07)

\$ (5,877.07)

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Gasoline Tax Fund  
For the Year Ended September 30, 2004***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<b><u>REVENUES</u></b>			
Intergovernmental	\$ 1,430,400.00	\$ 1,471,107.00	\$ 1,466,801.25
Miscellaneous	10,000.00	57,511.00	68,212.35
Total Revenues	<u>1,440,400.00</u>	<u>1,528,618.00</u>	<u>1,535,013.60</u>
<b><u>EXPENDITURES</u></b>			
Current:			
Highways and Roads	1,581,935.00	1,989,954.16	1,793,538.22
Capital Outlay	5,000.00	28,500.00	27,600.00
Debt Service:			
Principal	118,615.00	139,015.00	125,532.16
Interest	6,050.00	7,300.00	6,217.03
Total Expenditures	<u>1,711,600.00</u>	<u>2,164,769.16</u>	<u>1,952,887.41</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(271,200.00)</u>	<u>(636,151.16)</u>	<u>(417,873.81)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	271,200.00	402,535.18	419,064.41
Other Sources			43,911.36
Total Other Financing Sources (Uses)	<u>271,200.00</u>	<u>402,535.18</u>	<u>462,975.77</u>
Net Change in Fund Balances		(233,615.98)	45,101.96
Fund Balances - Beginning of Year		<u>233,615.98</u>	<u>348,750.55</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 393,852.51</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,466,801.25
	68,212.35
	<u>1,535,013.60</u>
	1,793,538.22
	27,600.00
	125,532.16
	6,217.03
	<u>1,952,887.41</u>
	<u>(417,873.81)</u>
	419,064.41
	43,911.36
	<u>462,975.77</u>
	45,101.96
	<u>348,750.55</u>
<u>\$</u>	<u>\$ 393,852.51</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Public Buildings, Roads and Bridges Fund  
For the Year Ended September 30, 2004***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<b>REVENUES</b>			
Taxes	\$ 1,281,000.00	\$ 1,281,000.00	\$ 1,554,531.00
Licenses and Permits			11,340.20
Intergovernmental	280,000.00	280,000.00	42,476.59
Miscellaneous	22,000.00	22,000.00	13,914.35
Total Revenues	1,583,000.00	1,583,000.00	1,622,262.14
<b>EXPENDITURES</b>			
Current:			
General Government	126,640.00	163,510.29	135,684.86
Highways and Roads	845,802.50	958,081.86	765,713.62
Capital Outlay		155,112.79	94,098.12
Debt Service:			
Principal	39,242.50		
Interest	198,932.00	198,932.00	214,869.63
	22,383.00	22,383.00	20,694.61
Total Expenditures	1,233,000.00	1,498,019.94	1,231,060.84
Excess (Deficiency) of Revenues Over Expenditures			
	350,000.00	84,980.06	391,201.30
<b>OTHER FINANCING SOURCES (USES)</b>			
Other Sources		1,000.00	1,000.00
Transfers Out	(350,000.00)	(458,333.00)	(466,112.00)
Total Other Financing Sources (Uses)	(350,000.00)	(457,333.00)	(465,112.00)
Net Change in Fund Balances		(372,352.94)	(73,910.70)
Fund Balances - Beginning of Year		373,352.94	869,549.46
Fund Balances - End of Year	\$	\$ 1,000.00	\$ 795,638.76

**Explanation of differences:**

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

Net Decrease in Fund Balance - Budget to GAAP

- (2) 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. (See Note 2 for a description of the Commission's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1) \$	(3,012.82)	\$ 1,551,518.18
		11,340.20
		42,476.59
		13,914.35
	<u>(3,012.82)</u>	<u>1,619,249.32</u>
		135,684.86
		765,713.62
		94,098.12
		214,869.63
		20,694.61
		<u>1,231,060.84</u>
	<u>(3,012.82)</u>	<u>388,188.48</u>
		1,000.00
		<u>(466,112.00)</u>
		<u>(465,112.00)</u>
	(3,012.82)	(76,923.52)
(2)	<u>(103,552.38)</u>	<u>765,997.08</u>
\$	<u>(106,565.20)</u>	<u>\$ 689,073.56</u>
\$	<u>(3,012.82)</u>	
\$	<u>(3,012.82)</u>	

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Reappraisal Fund  
For the Year Ended September 30, 2004***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 1,236,223.00	\$ 1,367,223.00	\$ 1,199,750.18
Miscellaneous	3,700.00	3,700.00	4,563.89
Total Revenues	<u>1,239,923.00</u>	<u>1,370,923.00</u>	<u>1,204,314.07</u>
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	1,239,923.00	1,370,923.00	1,039,129.06
Debt Service:			
Principal			67,649.47
Interest			2,135.54
Total Expenditures	<u>1,239,923.00</u>	<u>1,370,923.00</u>	<u>1,108,914.07</u>
Excess (Deficiency) of Revenues Over Expenditures			95,400.00
Fund Balances - Beginning of Year			<u>14,600.00</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 110,000.00</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,199,750.18
	4,563.89
	<u>1,204,314.07</u>
	1,039,129.06
	67,649.47
	2,135.54
	<u>1,108,914.07</u>
	95,400.00
	14,600.00
<u>\$</u>	<u>\$ 110,000.00</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Courthouse and Jail Fund  
For the Year Ended September 30, 2004***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 320,900.00	\$ 320,900.00	\$ 311,951.55
Licenses and Permits			2,877.36
Miscellaneous	3,000.00	3,000.00	17,170.80
Total Revenues	<u>323,900.00</u>	<u>323,900.00</u>	<u>331,999.71</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>323,900.00</u>	<u>323,900.00</u>	<u>331,999.71</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers Out	<u>(323,900.00)</u>		<u>(323,900.00)</u>
Total Other Financing Sources (Uses)	<u>(323,900.00)</u>		<u>(323,900.00)</u>
Net Change in Fund Balances		323,900.00	8,099.71
Fund Balances - Beginning of Year			<u>1,221,560.84</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$ 323,900.00</u>	<u>\$ 1,229,660.55</u>

**Explanation of differences:**

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

Net Decrease in Fund Balance - Budget to GAAP

- (2) 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. (See Note 2 for a description of the Commission's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.



	<b>Budget to GAAP Differences</b>	<b>Actual Amounts GAAP Basis</b>
(1)	\$ (753.16)	\$ 311,198.39
		2,877.36
		17,170.80
	<u>(753.16)</u>	<u>331,246.55</u>
	<u>(753.16)</u>	<u>331,246.55</u>
		<u>(323,900.00)</u>
		<u>(323,900.00)</u>
	(753.16)	7,346.55
(2)	<u>(25,888.12)</u>	<u>1,195,672.72</u>
	<u>\$ (26,641.28)</u>	<u>\$ 1,203,019.27</u>
	<u>\$ (753.16)</u>	
	<u>\$ (753.16)</u>	

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2004***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Housing and Urban Development</u></b>		
<b><u>Passed Through Alabama Department of</u></b>		
<b><u>Economic and Community Affairs</u></b>		
Community Development Block Grants/State's Program	14.228	CY-CE-PF-92-957
Emergency Shelter Grants Program	14.231	ESG-O4-014
Total U. S. Department of Housing and Urban Development		
<b><u>U. S. Department of Justice</u></b>		
<b><u>Passed Through Etowah County Sheriff's Office</u></b>		
Public Safety Partnership and Community Policing Grants	16.710	AL03100
Sub-Total Public Safety Partnership and Community Policing Grants		
<b><u>Passed Through Alabama Department of</u></b>		
<b><u>Economic and Community Affairs</u></b>		
Byrne Formula Grant Program	16.579	04-DB-02-002
Byrne Formula Grant Program	16.579	00-DB-11-004
Byrne Formula Grant Program	16.579	02-DB-02-030
Sub-Total Byrne Formula Grant Program (M)		
Juvenile Accountability Incentive Block Grant	16.523	02-JB-04-001
Violence Against Women Formula Grants	16.588	03-WF-PR-003
Total U. S. Department of Justice		
<b><u>U. S. General Services Administration</u></b>		
<b><u>Passed Through Alabama Department of</u></b>		
<b><u>Economic and Community Affairs</u></b>		
Donation of Federal Surplus Personal Property (N)	39.003	
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
04/15/2002-03/18/2004	\$ 403,820.35	\$ 175,245.35	\$ 25,137.11	\$ 25,137.11
05/11/2004-05/10/2006	133,000.00	66,500.00	23,224.90	23,224.90
	<u>536,820.35</u>	<u>241,745.35</u>	<u>48,362.01</u>	<u>48,362.01</u>
07/01/2003-06/30/2004	<u>202,536.56</u>	<u>202,536.56</u>	<u>186,725.78</u>	<u>186,725.78</u>
	202,536.56	202,536.56	186,725.78	186,725.78
07/01/2004-06/30/2005	380,000.00	285,000.00	72,042.97	72,042.97
04/01/2004-09/30/2004	64,000.00	48,000.00	48,000.00	48,000.00
07/01/2003-06/30/2004	375,845.39	281,883.81	281,883.81	281,883.81
	<u>819,845.39</u>	<u>614,883.81</u>	<u>401,926.78</u>	<u>401,926.78</u>
10/01/2003-09/30/2004	48,400.00	41,273.00	41,273.00	41,273.00
10/01/2003-09/30/2004	109,642.23	82,231.44	82,231.44	82,231.44
	<u>1,180,424.18</u>	<u>940,924.81</u>	<u>712,157.00</u>	<u>712,157.00</u>
10/01/2003-09/30/2004			<u>36,379.81</u>	<u>36,379.81</u>
	\$ 1,717,244.53	\$ 1,182,670.16	\$ 796,898.82	\$ 796,898.82

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2004***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Homeland Security</u></b>		
<b><u>Direct Program</u></b>		
Emergency Food and Shelter National Board Program	97.024	
<b><u>Passed Through State of Alabama</u></b>		
<b><u>Emergency Management Agency</u></b>		
Community Emergency Response Teams	97.054	CERT
Community Emergency Response Teams	97.054	CERT
Sub-Total Community Emergency Response Teams		
Emergency Management Performance Grants	97.042	EMA-2003-GR-5301
Hazard Mitigation Grant	97.039	S442
Hazard Mitigation Grant	97.039	SAFE-050
Sub-Total Hazard Mitigation Grant		
State Domestic Preparedness Equipment Support Program	97.004	00DOJ
State Domestic Preparedness Equipment Support Program	97.004	01DOJ
State Domestic Preparedness Equipment Support Program	97.004	02DOJ
State Domestic Preparedness Equipment Support Program	97.004	3DE2
State Domestic Preparedness Equipment Support Program	97.004	SHSAS Plan
Sub-Total State Domestic Preparedness Equipment Support Program		
First Responder Counter-Terrorism Training Assistance	97.038	04SNS
State and Local All Hazards Emergency Operations Planning	97.051	PLAN
Public Assistance Grants	97.036	FEMA-1466-DR-AL
Total U. S. Department of Homeland Security		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 1,717,244.53	\$ 1,182,670.16	\$ 796,898.82	\$ 796,898.82
10/01/2003-09/30/2004	2,531.00	2,531.00	2,531.00	2,531.00
07/01/2003-03/31/2004	18,000.00	18,000.00	18,000.00	18,000.00
07/01/2003-03/31/2005	20,200.00	20,200.00	18,702.85	18,702.85
	38,200.00	38,200.00	36,702.85	36,702.85
10/01/2003-09/30/2004	37,942.00	32,781.00	32,781.00	32,781.00
10/01/2003-09/30/2004	18,000.00	13,500.00	13,500.00	13,500.00
10/01/2003-09/30/2004	33,333.00	25,000.00	25,000.00	25,000.00
	51,333.00	38,500.00	38,500.00	38,500.00
10/01/2003-09/30/2004	15,816.85	15,816.85	15,816.85	15,816.85
10/01/2003-09/30/2004	18,165.49	18,165.49	18,165.49	18,165.49
10/01/2003-09/30/2004	58,375.43	58,375.43	58,375.43	58,375.43
10/01/2003-10/01/2004	60,000.00	60,000.00	55,490.49	55,490.49
09/15/2003-10/31/2003	17,500.00	17,500.00	8,439.54	8,439.54
	169,857.77	169,857.77	156,287.80	156,287.80
01/01/2004-09/30/2004	4,427.00	4,427.00	4,427.00	4,427.00
12/17/2002-12/31/2003	26,317.51	26,317.51	26,317.51	26,317.51
10/01/2003-09/30/2004	52,599.84	42,048.06	42,048.06	42,048.06
	383,208.12	354,662.34	339,595.22	339,595.22
	\$ 2,100,452.65	\$ 1,537,332.50	\$ 1,136,494.04	\$ 1,136,494.04

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2004***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
Sub-Total Brought Forward		
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>		
Safe and Drug Free Schools and Communities/State Grants	84.186	03-GV-LO-002
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Passed Through Top of Alabama Regional Council of Governments</u></b>		
Special Programs for the Aging:		
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	
Title III, Part C - Nutrition Services	93.045	
Sub-Total Aging Cluster		
<b><u>Passed Through State of Alabama</u></b>		
<b><u>Department of Human Resources</u></b>		
Promoting Safe and Stable Families (M)	93.556	
Total U. S. Department of Health and Human Services		
<b><u>Corporation for National and Community Service</u></b>		
<b><u>Direct Program</u></b>		
Retired and Senior Volunteer Program	94.002	
<b><u>Social Security Administration</u></b>		
<b><u>Direct Program</u></b>		
Supplemental Security Income	96.006	
Total Expenditures of Federal Awards		

(M) = Major Program  
(N) = Non-Cash Assistance

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



Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 2,100,452.65	\$ 1,537,332.50	\$ 1,136,494.04	\$ 1,136,494.04
10/01/2003-09/30/2004	28,993.46	28,993.46	28,993.46	28,993.46
10/01/2003-09/30/2004	2,684.00	2,684.00	2,684.00	2,684.00
10/01/2003-09/30/2004	79,590.50	79,590.50	79,590.50	79,590.50
10/01/2003-09/30/2004	114,425.00	114,425.00	114,425.00	114,425.00
	<u>196,699.50</u>	<u>196,699.50</u>	<u>196,699.50</u>	<u>196,699.50</u>
10/01/2003-09/30/2004	335,880.00	208,004.00	197,664.77	197,664.77
	<u>532,579.50</u>	<u>404,703.50</u>	<u>394,364.27</u>	<u>394,364.27</u>
10/01/2003-09/30/2004	177,676.00	177,676.00	177,676.00	177,676.00
10/01/2003-09/30/2004	7,800.00	7,800.00	7,800.00	7,800.00
	<u>\$ 2,847,501.61</u>	<u>\$ 2,156,505.46</u>	<u>\$ 1,745,327.77</u>	<u>\$ 1,745,327.77</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2004***

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**Note 1 - Basis of Presentation**

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

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2003 through September 30, 2004***

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<b>Commission Members</b>			<b>Term Expires</b>
Hon. William D. Cannon	Chairman	4012 Windsor Drive Guntersville, AL 35976	2006
Hon. Charlie McClendon	Commissioner	1200 Thompson Falls Guntersville, AL 35976	2006
Hon. R. E. Martin	Commissioner	4094 Simpson Point Road Grant, AL 35747	2008
Hon. C. W. "Buddy" Allen	Commissioner	3621 Turnpike Road Albertville, AL 35950	2008
Hon. Tim F. Bollinger	Commissioner	215 Collier Drive Albertville, AL 35950	2006

**Administrative Personnel**

Pam Gilmore	County Administrator	4920 Lee Street Guntersville, AL 35976
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***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission (the "Commission") as of and for the year ended September 30, 2004, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated April 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2004-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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

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**Compliance and Other Matters**

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

This report is intended solely for the information and use of management, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

April 28, 2005

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## ***Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133***

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### **Compliance**

We have audited the compliance of the Marshall County Commission (the "Commission") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

### **Internal Control Over Compliance**

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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***Report on Compliance With Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

April 28, 2005



***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2004***

**Section I - Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Reportable condition(s) identified that are not considered to be material weakness(es)?   X   Yes        None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Reportable condition(s) identified that are not considered to be material weakness(es)?        Yes   X   None reported

Type of opinion issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
16.579 93.556	Bryne Formula Grant Program Promoting Safe and Stable Families

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

Auditee qualified as low-risk auditee?   X   Yes        No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2004***

**Section II – Financial Statement Findings (GAGAS)**

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2004-1	Internal Control	<p><b><u>Finding:</u></b>            Procedures were not in place to ensure that a physical inventory of the Commission’s capital assets was performed.</p> <p><b><u>Recommendation:</u></b>            Controls should be established to ensure that a physical inventory of capital assets is performed.</p>	

**Section III – Federal Awards Findings and Questioned Costs**

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

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*Auditee Response/Corrective Action Plan*



# MARSHALL COUNTY COMMISSION



CHAIRMAN  
BILLY CANNON

COUNTY ADMINISTRATOR  
PAM GILMORE

COUNTY ENGINEER  
BOB PIRANDO

DISTRICT 1  
CHARLIE McCLENDON

DISTRICT 2  
R.E. MARTIN

DISTRICT 3  
C.W. "BUDDY" ALLEN

DISTRICT 4  
TIM BOLLINGER

## Corrective Action Plan

For the Year Ended September 30, 2004

As required by the Office of Management of Budget (OMB) Circular No. A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, Section .315(c), the Marshall County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2000.

**Finding  
Ref.  
No.**

### Corrective Action Plan Details

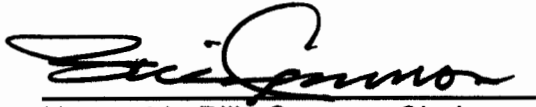
**Finding #2004-1**      • Procedures were not in place to ensure that a physical inventory of the Commission's capital assets was performed.

**Response**      The employee assigned to do the fieldwork on reviewing all inventory had retired on disability. We now have a new employee that has completed a physical inventory on all inventory.

**Finding #2004-2**      According to the Marshall County Personnel Board Handbook (11.2.1), all time that an employee works in a workweek should be accounted for in accordance with procedures established by the Commission. Employees that work in the Commission's central office are required to document their work time through use of a time clock. Some employees in the central office did not always clock in and out in accordance with this procedure.

**Response**      Employees are sometime call upon by supervisor to perform work off the premises. In this case the time card is sign by supervisor and documented the nature of the work.

The Marshall County Commission will take all the necessary steps to ensure that all finding is corrected. If you have any questions, please feel free to call Pam Gilmore or me.

A handwritten signature in black ink, appearing to read "Billy Cannon", written over a horizontal line.

Honorable Billy Cannon, Chairman  
Marshall County Commission