

Report on the

Marshall County Commission

Marshall County, Alabama

October 1, 2004 through September 30, 2005

Filed: August 4, 2006



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

Table of Contents

	<i>Page</i>
Exhibit #13 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund	50
Exhibit #14 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Courthouse and Jail Fund	52
<u>Supplementary Information</u>	54
Exhibit #15 Schedule of Expenditures of Federal Awards	55
Notes to the Schedule of Expenditures of Federal Awards	61
<u>Additional Information</u>	62
Exhibit #16 Commission Members and Administrative Personnel	63
Exhibit #17 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	64
Exhibit #18 Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	66
Exhibit #19 Schedule of Findings and Questioned Costs	68
Exhibit #20 Auditee Response/Corrective Action Plan	70



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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, 2004 through September 30, 2005.

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 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 14), 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 15), 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 16) 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 17) – a report on internal control related to the financial statements and on whether the Commission 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 on Internal Control Over Compliance in Accordance With OMB Circular A-133

(Exhibit 18) – 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 19) – 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 20) – 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 FINDINGS

- ◆ The Alabama Competitive Bid Law requires that sealed bids be obtained for purchases of goods and services costing \$7,500 or more. An emergency situation was declared for the setup of an emergency management station in response to Hurricane Katrina. Only the advertising requirements of the Alabama Competitive Bid Law may be suspended in an emergency situation. Sealed bids are still required, but they were not obtained.

- ◆ Cash receipts were not always deposited in a timely manner.

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. However, a reportable condition, that is not considered a material weakness, was noted in the internal control over compliance and its operation with respect to the Commission's major programs.

- ◆ The federal compliance requirement for cash management requires that the costs for which reimbursement are requested be paid prior to the date of the reimbursement request. The Commission requested reimbursement for expenditures for which reimbursement had already been received. Additional expenditures were not made for these funds.

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 working in departments having time clocks did not always clock in and out properly on their timecard. These employees are required to clock in upon arrival and clock out when leaving to ensure proper documentation of actual time worked. Some employees repeatedly wrote in their arrival and departure times when a time clock was available for use.

RECOMMENDATIONS

- ◆ All purchases of goods and services costing \$7,500 or more should be bid in accordance with the Alabama Competitive Bid Law.
- ◆ All receipts should be deposited daily.
- ◆ Procedures should be established to ensure that reimbursement is claimed only for expenditures actually made.
- ◆ All Commission employees should follow the Commission's policy regarding documentation of their work time.

Sworn to and subscribed before me this
the 29th day of June, 2009.

Carole B. Brooks

Notary Public

Sworn to and subscribed before me this
the 29th day of June, 2009.

Carole B. Brooks

Notary Public

Respectfully submitted,

Gwyn M. Griggs

Gwyn M. Griggs

Examiner of Public Accounts

Anthony Scott

Anthony Scott

Examiner of Public Accounts

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Term Expires 3-4-2009

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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, 2005, 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.

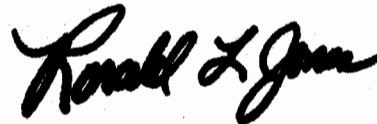
The financial statements referred to above include only the primary government, the Marshall County Commission, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Commission's legal entity. The financial statements do not include all the financial 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, 2005, 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, 2005, 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 March 10, 2006 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 14) are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 15) 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

March 10, 2006

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, 2005, 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 encourage 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 & Table II.

- The Commission's net assets are \$15,645,600.22 with the change in net assets being an increase over last year by \$1,580,924.14, excluding the effects (\$980,041.80) of the restatement in beginning net assets.
- The Commission's taxes and other revenues for governmental programs (excluding transfers) were \$9,808,566.58 a decrease of from last year.
- Total expenses for the Commission, were \$18,374,225.93 (increase from last fiscal year) in all governmental activities.
- Under the new Guidelines of GASB 34, the accumulated depreciation was \$10,556,639.00.

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 & roads, sanitation, health, welfare, culture & recreation, education, interest & 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 2005 were \$15,645,600.22, fiscal year 2004 were \$14,064,676.08 prior to restatement and were \$13,084,634.28 after the restatement, and 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 \$1,580,924.14, excluding the effects of a \$980,041.80 restatement of beginning net assets. Net assets of the Commission are summarized and analyzed below:

Table I

NET ASSETS September 30, 2005

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Current and other assets	\$13,295,677.95	\$12,541,320.84
Capital Assets	<u>17,332,785.06</u>	<u>17,919,301.26</u>
Total Assets	\$30,628,463.01	\$30,460,622.10
Long-term debt outstanding	\$ 8,258,794.49	\$ 8,010,680.84
Other Liabilities	<u>6,724,068.30</u>	<u>8,385,265.18</u>
Total Liabilities	\$14,982,862.79	\$16,395,946.02
Net Assets		
Invested in capital assets, Net of related debt	\$ 9,543,652.67	\$ 9,164,276.07
Restricted	1,966,426.64	1,451,017.47
Unrestricted	<u>4,135,520.61</u>	<u>3,449,382.54</u>
Total Net Assets	\$15,645,600.22	\$14,064,676.08

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. Assets exceeded liabilities by \$15,645,600.22 as of September 30, 2005. This was an increase of \$1,580,924.14 over last fiscal year. (Net assets increased as a result of an increase in property tax collections, normal growth in other revenue sources and a decrease in debt service expenditures.)

The largest portion of the Commission's net assets (56%) 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 second largest portion of the Commission's net assets (13%) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets, 38%, 11% for the repayment of long-term debt, % is for road projects with the percentage of 37% for the fiscal year 2004. The balance of 8% is restricted for the Commission's special revenue funds.

The remaining portion of the Commission's net assets (26%) unrestricted and may be used to meet the Commission's ongoing obligations to citizens and creditors.

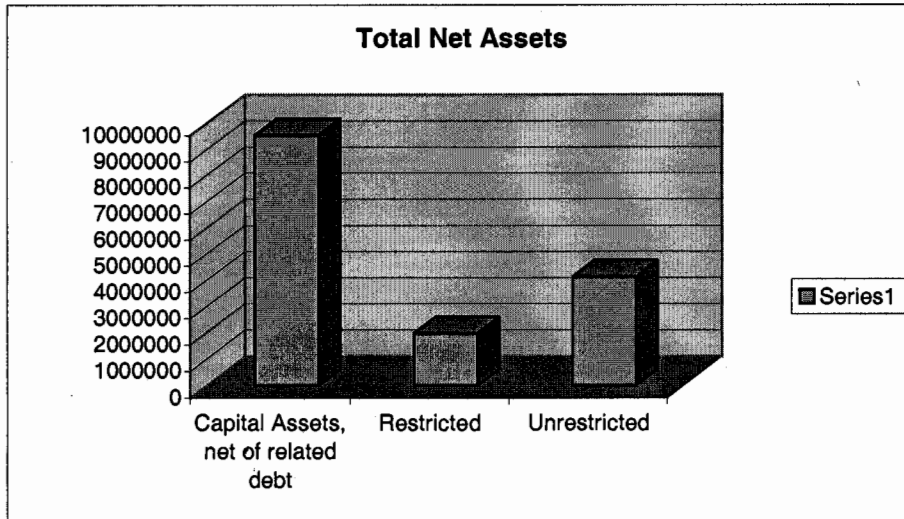


Table II

**CHANGES IN NET ASSETS
SEPTEMBER 30, 2005**

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<u>Revenue</u>		
Program Revenues:		
Charges for Services	\$ 1,590,861.87	\$ 1,742,585.26
Operating Grants & Contributions	6,723,332.50	5,649,141.49
Capital Grants & Contributions	1,494,372.21	99,552.68
General Revenues:		
Property Taxes for General Purpose	3,379,696.50	3,294,905.40
Property Taxes for Specific Purpose	2,959,799.86	2,836,237.85
Gasoline Sales Tax	527,061.49	516,822.19
General Sales Taxes	43,587.50	360,585.43
Grants & Contribution not Restrict for Specific Purpose	526,650.33	-0-
Gain on Dispositions of Capital Assets	50,452.83	-0-
Miscellaneous Taxes	2,527,360.10	2,634,346.75
Interest Earned	118,562.41	63,523.38
Miscellaneous	<u>993,453.27</u>	<u>1,001,754.29</u>
TOTAL REVENUE	\$20,935,190.87	\$18,199,454.72
<u>Expense</u>		
General Government	\$ 5,514,923.43	\$ 5,504,157.85
Public Safety	5,540,183.48	5,282,308.22
Highways & Roads	4,932,824.17	3,988,159.02
Sanitation	228,348.87	92,708.09
Health	68,183.52	85,888.92
Welfare	1,265,849.76	1,192,824.08
Culture & Recreation	287,320.31	256,874.24
Education	82,459.01	88,212.31
Interest & Fiscal Charges	331,088.51	414,487.11
Intergovernmental	<u>123,043.87</u>	<u>161,927.74</u>
TOTAL EXPENSE	\$18,374,224.93	\$17,067,547.58
Increase in net assets	\$ 2,560,965.94	\$ 1,131,907.14
Net Assets – Beginning of Year*	<u>\$13,084,634.28</u>	<u>\$12,932,768.94</u>
Net Assets – End of Year	\$15,645,600.22	\$14,064,676.08

* as restated

The total revenue for the Commission during the fiscal year 2005 was \$20,935,190.87 (excluding transfers). Approximately 31% of the revenue comes from property taxes, while 3% in county sales tax and 12% in miscellaneous taxes. Charges for service were 8% and interest earned/miscellaneous is 6%. The Commission's operating grants and contributions is 33% of total revenue.

The Commission's total expense was \$18,374,224.93 for the fiscal year 2005 (excluding transfers). The expense by functions are as follows; general government 30%, public safety 31%, highways and roads 7%, interest & fiscal charges 2%, welfare 7% and health, culture & recreation, education along with intergovernmental beginning 4%.

The Commission was able to fully fund the year's cost and also increase total net assets by \$2,560,965.94.

Table III

Governmental Activities

	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>
General Government	\$ 5,514,923.43	\$ 3,076,904.19
Public Safety	5,540,183.48	4,364,230.98
Highway and Roads	4,932,824.17	(46,849.33)
Other Programs	<u>2,386,293.85</u>	<u>1,171,372.51</u>
Total	\$18,374,224.93	\$ 8,565,658.35

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

	Beginning <u>Fund Balance</u>	Net Increase (Decrease)	Ending <u>Fund Balance</u>
General	\$ 115,329.88	\$268,133.40	383,463.28
Gasoline Tax	393,852.51	69,597.25	463,449.76
Public Building Road And Bridges	689,073.56	23,818.14	712,891.70
Reappraisal	110,000.00	(110,000.00)	-0-
Courthouse and Jail	1,203,019.27	362,467.03	1,565,986.30
RRR Gasoline Tax	1,056,122.75	491,395.72	1,547,518.47

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 increase by \$268,133.40.

Gasoline Tax Fund – this fund maintained their fund balance with a slight increase of \$69,597.25. Fund balance is maintained due to future road projects.

Public Buildings, Roads and Bridges Fund – the fund balance was increased slightly by \$23,818.14.

Reappraisal Fund – the fund balance was somewhat decreased by \$110,000.00 to a zero balance. This was due to an encumbrance the prior year.

Courthouse & Jail Fund – the fund balance was increased by \$362,467.03.

RRR Gasoline Tax Fund – the fund balance was increased by \$491,395.22 for future road projects.

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. There were no significant budgetary variations.

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, 2005.

Table V

CAPITAL ASSETS

Land	\$ 1,003,385.99
Infrastructure	4,633,480.00
Infrastructure in Progress	1,392,176.31
Buildings & Improvements	12,122,412.39
Motor Vehicles, Equipment & Furniture	8,285,795.47
Assets Under Capital Lease	452,173.90
Less: Accumulated Depreciation	<u>(10,556,639.00)</u>
Total Assets	\$17,332,785.06

Long-Term Obligations

As of September 30, 2005 the Commission's long-term outstanding debt was \$8,386,941.90. This was a decrease of \$280,598.16 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	\$ 196,323.32
Capital Lease Contracts Payable	287,809.03
Warrants Payable	7,305,000.00
Estimated Liability for Compensated Absences	<u>469,662.14</u>
Total long-term debt	\$8,258,794.49

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. 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.
- During a disaster the driver license was damage so bad that the insurance company paid to rebuild a new building.

- The Commission received several new grants due to the Homeland Security starting in 2005.
- 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.

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.

Statement of Net Assets
September 30, 2005

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 3,982,665.36
Investments	1,538,533.11
Receivables (Note 4)	1,321,564.47
Ad Valorem Taxes Receivable	5,459,233.41
Lease Receivable	591,933.34
Restricted Cash with Fiscal Agent	401,748.26
Capital Assets (Note 5):	
Nondepreciable	2,395,562.30
Depreciable, Net	<u>14,937,222.76</u>
Total Assets	<u>30,628,463.01</u>
<u>Liabilities</u>	
Payables (Note 9)	114,099.13
Deferred Revenue	5,990,424.38
Accrued Wages Payable	283,896.58
Accrued Interest Payable	128,147.71
Estimated Claims Costs Payable	207,500.50
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Notes Payable	85,271.07
Capital Leases Payable	156,640.42
Warrants Payable	305,000.00
Estimated Liability for Compensated Absences	21,290.93
Portion Due or Payable After One Year:	
Notes Payable	111,052.25
Capital Leases Payable	131,168.61
Warrants Payable	7,000,000.00
Estimated Liability for Compensated Absences	<u>448,371.21</u>
Total Liabilities	<u>14,982,862.79</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	9,543,652.67
Restricted for:	
Road Projects	1,692,826.39
Debt Service	273,600.55
Unrestricted	<u>4,135,520.61</u>
Total Net Assets	<u>\$ 15,645,600.22</u>

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

Statement of Activities
For the Year Ended September 30, 2005

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 5,514,923.43	\$ 1,369,200.03	\$ 1,068,819.21
Public Safety	5,540,183.48	64,869.99	1,111,082.51
Highways and Roads	4,932,824.17		3,587,497.19
Sanitation	228,348.87		161,384.75
Health	68,183.52		31,811.02
Welfare	1,265,849.76		762,737.82
Culture and Recreation	287,320.31	156,791.85	
Education	82,459.01		
Interest on Long-Term Debt	331,088.51		
Intergovernmental	123,043.87		
Total Governmental Activities	\$ 18,374,224.93	\$ 1,590,861.87	\$ 6,723,332.50

General Revenues:

Taxes:
Property Taxes for General Purposes
Property Taxes for Specific Purposes
County Gasoline Sales Tax
General Sales Tax
Miscellaneous Taxes
Grants and Contributions not Restricted for Specific Programs
Interest Earned
Miscellaneous
Gain on Disposition of Capital Assets
Total General Revenues
Change in Net Assets
Net Assets - Beginning of Year, as Restated (Note 16)
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>
\$	\$ (3,076,904.19)
	(4,364,230.98)
1,392,176.31	46,849.33
	(66,964.12)
	(36,372.50)
102,195.90	(400,916.04)
	(130,528.46)
	(82,459.01)
	(331,088.51)
	(123,043.87)
<u>\$ 1,494,372.21</u>	<u>(8,565,658.35)</u>

3,379,696.50
2,959,799.86
527,061.49
43,587.50
2,527,360.10
526,650.33
118,562.41
993,453.27
50,452.83
<u>11,126,624.29</u>
2,560,965.94
<u>13,084,634.28</u>
<u>\$ 15,645,600.22</u>

Balance Sheet
Governmental Funds
September 30, 2005

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<u>Assets</u>			
Cash and Cash Equivalents	\$ 368,445.30	\$ 379,630.64	\$ 179,169.28
Cash with Fiscal Agent			
Investments			600,836.69
Receivables (Note 4)	613,921.39	134,964.03	65,762.11
Ad Valorem Taxes Receivable	2,902,961.87		1,111,350.91
Interfund Receivables	113,864.15	532.31	
Lease Receivable			
Total Assets	<u>3,999,192.71</u>	<u>515,126.98</u>	<u>1,957,118.99</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Payables (Note 9)	35,158.22	1,908.68	765.50
Interfund Payables			
Accrued Wages Payable	168,046.27	49,637.21	20,214.06
Deferred Revenue	3,188,531.84		1,223,247.73
Estimated Liability for Compensated Absences	16,492.60	131.33	
Estimated Claims Cost Payable	207,500.50		
Total Liabilities	<u>3,615,729.43</u>	<u>51,677.22</u>	<u>1,244,227.29</u>
<u>Fund Balances</u>			
Reserved for:			
Debt Service			
Encumbrances	5,562.00	63,171.00	
Future Claims	65,729.40		
Unreserved, Reported in:			
General Fund	312,171.88		
Special Revenue Funds		400,278.76	712,891.70
Total Fund Balances	<u>383,463.28</u>	<u>463,449.76</u>	<u>712,891.70</u>
Total Liabilities and Fund Balances	<u>\$ 3,999,192.71</u>	<u>\$ 515,126.98</u>	<u>\$ 1,957,118.99</u>

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

RRR Gasoline Tax Fund	Reappraisal Fund	Courthouse and Jail Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,411,914.43	\$ 128,238.67	\$ 648,051.67	\$ 867,215.37	\$ 3,982,665.36
			401,748.26	401,748.26
		937,696.42		1,538,533.11
135,604.04		7,712.44	363,600.46	1,321,564.47
	1,165,532.31	279,388.32		5,459,233.41
			1,103.74	115,500.20
			591,933.34	591,933.34
<u>1,547,518.47</u>	<u>1,293,770.98</u>	<u>1,872,848.85</u>	<u>2,225,601.17</u>	<u>13,411,178.15</u>
	647.13		75,619.60	114,099.13
			115,500.20	115,500.20
	21,841.59		24,157.45	283,896.58
	1,271,282.26	307,362.55		5,990,424.38
			4,667.00	21,290.93
				207,500.50
	<u>1,293,770.98</u>	<u>307,362.55</u>	<u>219,944.25</u>	<u>6,732,711.72</u>
			1,001,061.51	1,001,061.51
511,640.60			5,695.00	586,068.60
				65,729.40
				312,171.88
<u>1,035,877.87</u>		<u>1,565,486.30</u>	<u>998,900.41</u>	<u>4,713,435.04</u>
<u>1,547,518.47</u>		<u>1,565,486.30</u>	<u>2,005,656.92</u>	<u>6,678,466.43</u>
<u>\$ 1,547,518.47</u>	<u>\$ 1,293,770.98</u>	<u>\$ 1,872,848.85</u>	<u>\$ 2,225,601.17</u>	<u>\$ 13,411,178.15</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2005***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 6,678,466.43

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

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

Land	\$ 1,003,385.99	
Infrastructure	4,633,480.00	
Infrastructure in Progress	1,392,176.31	
Buildings and Improvements	12,122,412.39	
Motor Vehicles, Equipment and Furniture	8,285,795.47	
Assets Under Capital Lease	452,173.90	
Less: Accumulated Depreciation	<u>(10,556,639.00)</u>	
Total Capital Assets		17,332,785.06

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	\$ (85,271.07)	(111,052.25)	
Capital Lease Contracts Payable	(156,640.42)	(131,168.61)	
Warrants Payable	(305,000.00)	(7,000,000.00)	
Accrued Interest Payable	(128,147.71)		
Estimated Liability for Compensated Absences		(448,371.21)	
Total Long-Term Liabilities	<u>\$ (675,059.20)</u>	<u>\$ (7,690,592.07)</u>	<u>(8,365,651.27)</u>

Total Net Assets - Governmental Activities (Exhibit 1) \$ 15,645,600.22

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, 2005

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<u>Revenues</u>			
Taxes	\$ 3,962,673.59	\$	\$ 1,318,511.29
Licenses and Permits	115,649.85		
Intergovernmental	2,253,994.29	2,918,063.12	393,619.96
Charges for Services	1,313,026.23		
Miscellaneous	589,356.79	155,351.12	48,103.80
Total Revenues	<u>8,234,700.75</u>	<u>3,073,414.24</u>	<u>1,760,235.05</u>
<u>Expenditures</u>			
Current:			
General Government	2,810,252.52		126,129.19
Public Safety	4,157,329.63		
Highways and Roads		1,921,784.62	860,584.83
Sanitation	15,964.12		
Health	62,485.83		
Welfare	101,145.06		
Culture and Recreation	22,000.00		
Education	82,459.01		
Capital Outlay	214,475.50	1,521,598.54	281,376.31
Debt Service:			
Principal Retirement	92,381.26		194,896.92
Interest and Fiscal Charges	3,422.40		14,789.66
Intergovernmental	123,043.87		
Total Expenditures	<u>7,684,959.20</u>	<u>3,443,383.16</u>	<u>1,477,776.91</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>549,741.55</u>	<u>(369,968.92)</u>	<u>282,458.14</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	308,000.00	345,065.17	
Sale of Capital Assets	15,240.00	94,501.00	22,000.00
Inception of Capital Leases	202,646.50		43,360.00
Transfers Out	(807,494.65)		(324,000.00)
Total Other Financing Sources (Uses)	<u>(281,608.15)</u>	<u>439,566.17</u>	<u>(258,640.00)</u>
Net Change in Fund Balances	268,133.40	69,597.25	23,818.14
Fund Balances - Beginning of Year, as Restated (Note 16)	<u>115,329.88</u>	<u>393,852.51</u>	<u>689,073.56</u>
Fund Balances - End of Year	<u>\$ 383,463.28</u>	<u>\$ 463,449.76</u>	<u>\$ 712,891.70</u>

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

RRR Gasoline Tax Fund	Reappraisal Fund	Courthouse and Jail Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 1,209,607.95	\$ 300,793.87	\$ 952,306.16	\$ 7,743,892.86
				115,649.85
1,589,735.80		2,898.94	3,344,459.16	10,502,771.27
			160,328.29	1,473,354.52
42,385.73	7,645.38	58,774.22	147,452.50	1,049,069.54
1,632,121.53	1,217,253.33	362,467.03	4,604,546.11	20,884,738.04
	1,238,298.68		915,407.89	5,090,088.28
			1,083,853.72	5,241,183.35
1,139,995.78			568,962.68	4,491,327.91
			212,384.75	228,348.87
				62,485.83
			1,027,029.70	1,128,174.76
			253,188.40	275,188.40
				82,459.01
	83,139.27		137,850.17	2,238,439.79
	5,791.25		305,876.41	598,945.84
730.03	24.13		315,034.19	334,000.41
				123,043.87
1,140,725.81	1,327,253.33		4,819,587.91	19,893,686.32
491,395.72	(110,000.00)	362,467.03	(215,041.80)	991,051.72
			864,463.70	1,517,528.87
			10,805.99	142,546.99
				246,006.50
			(386,034.22)	(1,517,528.87)
			489,235.47	388,553.49
491,395.72	(110,000.00)	362,467.03	274,193.67	1,379,605.21
1,056,122.75	110,000.00	1,203,019.27	1,731,463.25	5,298,861.22
\$ 1,547,518.47	\$	\$ 1,565,486.30	\$ 2,005,656.92	\$ 6,678,466.43

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2005

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,379,605.21

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	\$ 2,238,439.79	
Depreciation Expense	(1,261,617.00)	
Total		976,822.79

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. 598,945.84

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

Net Increase in Compensated Absences	(59,219.14)	
Net Decrease in Accrued Interest Payable	2,911.90	
Total		(56,307.24)

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		(246,006.50)
----------------	--	--------------

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. (92,094.16)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 2,560,965.94

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

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 273,254.21	\$ 16,574.44
Accounts Receivable	18,617.02	
Total Assets	<u>291,871.23</u>	<u>16,574.44</u>
<u>Liabilities</u>		
Accounts Payable		16,574.44
Accrued Wages Payable	1,382.23	
Total Liabilities	<u>1,382.23</u>	<u>\$ 16,574.44</u>
<u>Net Assets</u>		
Held in Trust for Other Purposes	290,489.00	
Total Net Assets	<u>\$ 290,489.00</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, 2005

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Worthless Check Collection Service Charges	\$ 237,684.08
Excess From Land Sales	108,908.72
Library Fees	22,000.00
Federal Grant	1,500.00
State Grant	70,426.00
Child Protection	23,776.40
Interest	123.20
Total Additions	<u>464,418.40</u>
<u>Deductions</u>	
Administrative Expenses	<u>411,431.99</u>
Total Deductions	<u>411,431.99</u>
Change in Net Assets	52,986.41
Net Assets - Beginning of Year, as Restated (Note 16)	<u>237,502.59</u>
Net Assets - End of Year	<u><u>\$ 290,489.00</u></u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2005

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.

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2005

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 in the "Other Governmental Funds" column.

The Commission reports the following major governmental funds:

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2005

- ◆ **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.
- ◆ **RRR Gasoline Tax Fund** - This fund is used to account for the expenditures of four-cent and five-cent State gasoline tax revenue for resurfacing, restoration, and rehabilitation of existing paved county roads and bridges and for bridge replacement.
- ◆ **Reappraisal Fund** - This fund is used to account for the expenditures of special county 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 governmental fund types in the other governmental funds column:

Governmental Fund Types

- ◆ **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.

Notes to the Financial Statements

For the Year Ended September 30, 2005

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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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.

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.

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

Investments are reported at fair value.

2. Receivables

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. These taxes are normally remitted to the Commission within the next 60 days.

Notes to the Financial Statements

For the Year Ended September 30, 2005

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.

3. Restricted Assets

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2005

The Commission will begin retroactively reporting its major general infrastructure assets other than bridges (assets that were acquired between October 1, 1980 to September 30, 2002, or that received major renovations, restorations or improvements during that period) as of the fiscal year ending September 30, 2007. The Commission already reports all bridges that were constructed since October 1, 1980.

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2005

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, 2005, the liability for accrued annual, sick and compensatory leave is approximately \$469,662.14, which includes the current portion of \$21,290.93 and the long-term portion of \$448,371.21.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund, Public Buildings, Roads and Bridges Fund, and Courthouse and Jail Fund with the exception of ad valorem taxes which are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Gasoline Tax Fund and the RRR Gasoline Tax Fund are budgeted on a basis of accounting consistent with GAAP. All appropriations lapse at fiscal year-end.

The State Legislature enacted Act Number 616, Acts of Alabama 1976, and then provided further under Act Number 79-466, Acts of Alabama, the statutory basis for 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.

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

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2005, the following governmental fund had a deficit fund balance:

Family Options Fund	<u>\$105.32</u>
---------------------	-----------------

The deficit in the Family Options Fund is a result of the compensated absences adjustment. Accrued leave payable at September 30, 2005, will be paid in the following year when the employees actually terminate their employment with the County. This will be paid with resources not available until October 1, 2005.

Notes to the Financial Statements
For the Year Ended September 30, 2005

Note 3 – Deposits and Investments

A. Deposits

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

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

B. Cash with Fiscal Agents

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2005

As of September 30, 2005, the Commission has cash on deposit with fiscal agents that are invested as follows:

Cash with Fiscal Agents	Maturities	Fair Value
Regions/Morgan Keegan Select Money Market Class A	65% less than 3 months 35% less than 6 months	<u>\$401,748.26</u>

The Regions/Morgan Keegan Select Money Market Class A Fund primarily invests in U. S. Treasury Obligations maturing in 397 days or less and in repurchase agreement collateralized by U. S. Treasury Obligations. The Fund is rated AAA by Standard and Poor's.

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Commission does not have a formal investment policy that limits the amount of exposure to credit risk.

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

Notes to the Financial Statements
For the Year Ended September 30, 2005

Note 4 – Receivables

On September 30, 2005, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, are as follows:

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
Accounts Receivable	\$ 22,225.08	\$	\$
Due from Other Governments	591,696.31	134,964.03	65,762.11
Totals	<u>\$613,921.39</u>	<u>\$134,964.03</u>	<u>\$65,762.11</u>

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, 2005, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes Receivable	\$5,459,233.41	\$
Ad Valorem Motor Vehicle Taxes Receivable		531,190.97
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$5,459,233.41</u>	<u>\$531,190.97</u>

Notes to the Financial Statements
For the Year Ended September 30, 2005

RRR Gasoline Tax Fund	Courthouse and Jail Fund	Other Governmental Funds	Total
\$	\$	\$ 68,360.69	\$ 90,585.77
135,604.04	7,712.44	295,239.77	1,230,978.70
\$135,604.04	\$7,712.44	\$363,600.46	\$1,321,564.47

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance 10/01/2004, as Restated (*)	Additions	Deletions	Balance 09/30/2005
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 1,003,385.99	\$	\$	\$ 1,003,385.99
Infrastructure in Progress - Bridges		1,392,176.31		1,392,176.31
Total Capital Assets, Not Being Depreciated	1,003,385.99	1,392,176.31		2,395,562.30
Capital Assets Being Depreciated:				
Infrastructure - Bridges	4,633,480.00			4,633,480.00
Buildings and Improvements	12,122,412.39			12,122,412.39
Motor Vehicles, Furniture and Equipment	7,432,510.01	1,214,118.62	(360,833.16)	8,285,795.47
Equipment Under Capital Leases	820,029.04	246,006.50	(613,861.64)	452,173.90
Total Capital Assets Being Depreciated	25,008,431.44	1,460,125.12	(974,694.80)	25,493,861.76
Less Accumulated Depreciation for:				
Infrastructure - Bridges	(519,913.00)	(82,330.00)		(602,243.00)
Buildings and Improvements	(3,893,548.00)	(303,060.00)		(4,196,608.00)
Motor Vehicles, Furniture and Equipment	(4,639,644.00)	(1,290,845.00)	268,739.00	(5,661,750.00)
Equipment Under Capital Leases	(510,656.00)	(66,614.00)	481,232.00	(96,038.00)
Total Accumulated Depreciation	(9,563,761.00)	(1,742,849.00)	749,971.00	(10,556,639.00)
Total Capital Assets Being Depreciated, Net	15,444,670.44	(282,723.88)	(224,723.80)	14,937,222.76
Total Governmental Activities Capital Assets, Net	\$16,448,056.43	\$ 1,109,452.43	\$(224,723.80)	\$ 17,332,785.06

(*) Restated to correct capital assets and accumulated depreciation balances \$858,291.33.

The additions and deletions columns include reclassifications of Equipment Under Capital Leases to Motor Vehicles, Furniture, and Equipment in the amount of \$613,861.64. Depreciation for these items totaling \$481,232.00 was also reclassified.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 404,283.00
Public Safety	266,961.00
Highway and Roads	437,541.00
Health	2,845.00
Welfare	138,049.00
Culture and Recreation	11,938.00
Total Depreciation Expense - Governmental Activities	<u>\$1,261,617.00</u>

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2005

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.

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, 2005, was 5.60 percent based on the actuarial valuation performed as of September 30, 2003.

Notes to the Financial Statements

For the Year Ended September 30, 2005

C. Annual Pension Cost

For the year ended September 30, 2005, the Commission's annual pension cost of \$320,015 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, 2004, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.75 percent at age 20 to 4.61 percent at age 65. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2004, 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
09/30/2005	\$320,015	100%	\$0
09/30/2004	\$244,924	100%	\$0
09/30/2003	\$188,734	100%	\$0

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]
09/30/2004**	\$12,838,170	\$13,331,268	\$493,098	96.3%	\$5,847,849	8.4%
09/30/2003***	\$12,220,694	\$12,588,001	\$367,307	97.1%	\$5,927,152	6.2%
09/30/2002****	\$11,779,343	\$11,464,976	(\$314,367)	102.7%	\$5,401,261	(5.8%)

* 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 August 4, 2005.

*** 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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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 ended September 30, 2005, the Commission's expenditures to cover approximately 58 participants totaled \$430,824.00 for health insurance and \$2,731.05 for life insurance.

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, 2005, amounted to \$25,816.88.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2005

Note 9 – Payables

On September 30, 2005, payables for the Commission's individual major funds and other governmental funds in the aggregate are as follows:

	Vendors	Other Governments	Total Payables
<u>Governmental Activities:</u>			
General Fund	\$ 7,332.96	\$ 27,825.26	\$ 35,158.22
Gasoline Tax Fund	1,908.68		1,908.68
Public Buildings, Roads and Bridges Fund	765.50		765.50
Reappraisal Fund	647.13		647.13
Other Governmental Funds	775.92	74,843.68	75,619.60
Total Governmental Activities	<u>\$11,430.19</u>	<u>\$102,668.94</u>	<u>\$114,099.13</u>

Note 10 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$452,173.90 for governmental activities at September 30, 2005. 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, 2005.

Fiscal Year Ending	Governmental Activities
September 30, 2006	\$164,080.15
2007	116,425.62
2008	17,509.42
Total Minimum Lease Payments	<u>298,015.19</u>
Less: Amount Representing Interest	<u>(10,206.16)</u>
Present Value of Net Minimum Lease Payments	<u>\$287,809.03</u>

Notes to the Financial Statements
For the Year Ended September 30, 2005

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, 2005, total costs paid by the Commission were \$46,350.30 for governmental activities. The payments remaining for the leases having initial or remaining noncancelable lease terms in excess of one year at September 30, 2005, are noted below.

Fiscal Year Ending	Equipment
2006	\$ 32,080.29
2007	29,188.95
2008	24,083.59
2009	19,193.76
2010	3,648.51
Total	<u>\$108,195.10</u>

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, 2005, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Note Payable	<u>\$110,000.00</u>	\$	\$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 \$591,933.34 is reflected in the financial statements at September 30, 2005. The short-term portion of this lease receivable is \$20,000.04.

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Notes to the Financial Statements
For the Year Ended September 30, 2005

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2005:

	Debt Outstanding 10/01/2004	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2005	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Warrants:					
Series 2001	\$7,260,000.00	\$	\$290,000.00	\$6,970,000.00	\$300,000.00
U.S.D.A. Warrant/Loan	340,000.00		5,000.00	335,000.00	5,000.00
Sub-Total Warrants	<u>7,600,000.00</u>		<u>295,000.00</u>	<u>7,305,000.00</u>	<u>305,000.00</u>
Notes Payable	327,386.52		131,063.20	196,323.32	85,271.07
Other Liabilities:					
Capital Lease Contracts Payable	214,685.17	246,006.50	172,882.64	287,809.03	156,640.42
Estimated Liability for Compensated Absences	397,320.96	72,341.18		469,662.14	21,290.93
Total Governmental Activities Long-Term Liabilities	<u>\$8,539,392.65</u>	<u>\$318,347.68</u>	<u>\$598,945.84</u>	<u>\$8,258,794.49</u>	<u>\$568,202.42</u>

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.

Notes to the Financial Statements
For the Year Ended September 30, 2005

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, 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	340,000.00	245,925.00	5,000.00	14,175.00
2011-2015	1,910,000.00	1,011,165.00	50,000.00	65,250.00
2016-2020	2,360,000.00	547,831.25	50,000.00	54,000.00
2021-2025	1,105,000.00	53,081.25	70,000.00	41,400.00
2026-2030			80,000.00	24,750.00
2031-2035			60,000.00	5,400.00
Total	<u>\$6,970,000.00</u>	<u>\$2,956,481.25</u>	<u>\$335,000.00</u>	<u>\$263,925.00</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, 2005, the principal balance outstanding on the 1994 Series Special Obligation School Refunding Warrants was \$7,195,000.00.

Notes to the Financial Statements
For the Year Ended September 30, 2005

Governmental Activities				Total Principal and Interest Requirements to Maturity
Notes Payable		Capital Lease Contracts Payable		
Principal	Interest	Principal	Interest	
\$ 85,271.07	\$5,331.93	\$156,640.42	\$ 7,439.73	\$ 864,630.65
88,203.95	2,396.05	114,020.17	2,405.45	817,210.62
22,848.30	129.60	17,148.44	360.98	644,976.07
				607,807.50
				605,100.00
				3,036,415.00
				3,011,831.25
				1,269,481.25
				104,750.00
				65,400.00
\$196,323.32	\$7,857.58	\$287,809.03	\$10,206.16	\$11,027,602.34

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.

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Notes to the Financial Statements
For the Year Ended September 30, 2005

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
2004-2005	\$224,253.87	\$1,967,262.11	\$1,984,015.48	\$207,500.50
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

Note 15 – Interfund Receivables and Payables

Interfund Receivables and Payables

The amounts due to/from other funds at September 30, 2005, were as follows:

	Interfund Receivables			Totals
	General Fund	Gasoline Tax Fund	Other Governmental Funds	
<u>Interfund Payables</u>				
Other Governmental Funds	\$113,864.15	\$532.31	\$1,103.74	\$115,500.20
Totals	<u>\$113,864.15</u>	<u>\$532.31</u>	<u>\$1,103.74</u>	<u>\$115,500.20</u>

Notes to the Financial Statements
For the Year Ended September 30, 2005

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2005, were as follows:

	Transfers Out			Totals
	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	
Transfers In:				
General Fund	\$	\$308,000.00	\$	\$ 308,000.00
Gasoline Tax Fund		16,000.00	329,065.17	345,065.17
Other Governmental Funds	807,494.65		56,969.05	864,463.70
Totals	<u>\$807,494.65</u>	<u>\$324,000.00</u>	<u>\$386,034.22</u>	<u>\$1,517,528.87</u>

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

Note 16 – Restatements

The beginning fund balances for some funds were restated to correct errors from prior years. Net assets were restated to correct errors in capital asset balances from prior years. The effects of these restatements are shown below:

	General Fund	Gasoline Tax Fund
Fund Balance as Originally Reported on September 30, 2004	\$ 380,700.68	\$393,852.51
To Correct Interfund Receivables and Payables That Were Liquidated in Prior Years	(149,131.49)	
To Correct Prior Year Receivable Amounts That Were Never Received	(116,239.31)	
Fund Balance, October 1, 2004, as Restated	<u>\$ 115,329.88</u>	<u>\$393,852.51</u>
Net Assets, September 30, 2004, as Previously Reported		
Restatements of Fund Balances		
Restatements of Capital Assets		
Net Assets, October 1, 2004, as Restated		

Notes to the Financial Statements
For the Year Ended September 30, 2005

Public Buildings, Roads, and Bridges Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Courthouse and Jail Fund	Other Governmental Funds	Total Governmental Funds	Private-Purpose Trust Funds
\$689,073.56	\$1,056,122.75	\$110,000.00	\$1,203,019.27	\$1,587,842.92	\$ 5,420,611.69	\$232,702.59
				144,331.49	(4,800.00)	4,800.00
				(711.16)	(116,950.47)	
<u>\$689,073.56</u>	<u>\$1,056,122.75</u>	<u>\$110,000.00</u>	<u>\$1,203,019.27</u>	<u>\$1,731,463.25</u>	<u>5,298,861.22</u>	<u>\$237,502.59</u>
					14,064,676.08	
					(121,750.47)	
					(858,291.33)	
					<u>\$13,084,634.28</u>	

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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, 2005***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
Taxes	\$ 3,960,010.00	\$ 3,963,530.00	\$ 3,976,280.35
Licenses and Permits	286,000.00	286,000.00	115,649.85
Intergovernmental	1,785,415.00	1,785,415.00	2,253,994.29
Charges for Services	1,298,725.00	1,298,725.00	1,313,026.23
Miscellaneous	440,300.00	442,300.00	589,356.79
Total Revenues	<u>7,770,450.00</u>	<u>7,775,970.00</u>	<u>8,248,307.51</u>
<u>Expenditures</u>			
Current:			
General Government	3,387,060.00	3,262,145.59	2,810,252.52
Public Safety	4,235,500.00	4,201,015.43	4,157,329.63
Sanitation	18,390.00	16,390.00	15,964.12
Health	88,245.00	63,245.00	62,485.83
Welfare	138,425.00	127,425.00	101,145.06
Culture and Recreation			22,000.00
Education	62,000.00	93,083.03	82,459.01
Capital Outlay		219,646.00	214,475.50
Debt Service:			
Principal		83,770.00	92,381.26
Interest		2,180.00	3,422.40
Intergovernmental	170,000.00	170,000.00	123,043.87
Total Expenditures	<u>8,099,620.00</u>	<u>8,238,900.05</u>	<u>7,684,959.20</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(329,170.00)</u>	<u>(462,930.05)</u>	<u>563,348.31</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	895,900.00	895,900.00	308,000.00
Sale of Capital Assets			15,240.00
Inception of Capital Leases	265,000.00	202,646.00	202,646.50
Transfers Out	(831,730.00)	(856,770.00)	(807,494.65)
Total Other Financing Sources (Uses)	<u>329,170.00</u>	<u>241,776.00</u>	<u>(281,608.15)</u>
Net Change in Fund Balances		(221,154.05)	281,740.16
Fund Balances - Beginning of Year		221,500.00	387,293.09
Fund Balances - End of Year	<u>\$</u>	<u>\$ 345.95</u>	<u>\$ 669,033.25</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ (13,606.76)	\$ 3,962,673.59
		115,649.85
		2,253,994.29
		1,313,026.23
		589,356.79
	<u>(13,606.76)</u>	<u>8,234,700.75</u>
		2,810,252.52
		4,157,329.63
		15,964.12
		62,485.83
		101,145.06
		22,000.00
		82,459.01
		214,475.50
		92,381.26
		3,422.40
		123,043.87
		<u>7,684,959.20</u>
	<u>(13,606.76)</u>	<u>549,741.55</u>
		308,000.00
		15,240.00
		202,646.50
		<u>(807,494.65)</u>
		<u>(281,608.15)</u>
	(13,606.76)	268,133.40
(2)	<u>(271,963.21)</u>	<u>115,329.88</u>
	<u>\$ (285,569.97)</u>	<u>\$ 383,463.28</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2005***

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.

\$ (13,606.76)

\$ (13,606.76)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2005***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
Intergovernmental	\$ 1,500,000.00	\$ 1,500,000.00	\$ 2,918,063.12
Miscellaneous	10,150.00	84,150.00	155,351.12
Total Revenues	<u>1,510,150.00</u>	<u>1,584,150.00</u>	<u>3,073,414.24</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	1,815,468.00	2,265,474.22	1,921,784.62
Capital Outlay		19,782.00	1,521,598.54
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>1,815,468.00</u>	<u>2,285,256.22</u>	<u>3,443,383.16</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(305,318.00)</u>	<u>(701,106.22)</u>	<u>(369,968.92)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	285,100.00	307,253.71	345,065.17
Sale of Capital Assets	20,218.00		94,501.00
Total Other Financing Sources (Uses)	<u>305,318.00</u>	<u>307,253.71</u>	<u>439,566.17</u>
Net Change in Fund Balances		(393,852.51)	69,597.25
Fund Balances - Beginning of Year		<u>393,852.51</u>	<u>393,852.51</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 463,449.76</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 2,918,063.12
	155,351.12
	<u>3,073,414.24</u>
	1,921,784.62
	1,521,598.54
	<u>3,443,383.16</u>
	<u>(369,968.92)</u>
	345,065.17
	94,501.00
	<u>439,566.17</u>
	69,597.25
	<u>393,852.51</u>
<u>\$</u>	<u>\$ 463,449.76</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, 2005***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
<u>Revenues</u>			
Taxes	\$ 1,272,000.00	\$ 1,272,000.00	\$ 1,323,842.91
Licenses and Permits	11,300.00	11,300.00	
Intergovernmental	300,000.00	462,000.00	393,619.96
Miscellaneous	200.00	40,420.00	48,103.80
Total Revenues	<u>1,583,500.00</u>	<u>1,785,720.00</u>	<u>1,765,566.67</u>
<u>Expenditures</u>			
Current:			
General Government	126,680.00	166,576.36	126,129.19
Highways and Roads	1,082,820.00	1,130,033.25	860,584.83
Capital Outlay		226,175.99	281,376.31
Debt Service:			
Principal		200,310.00	194,896.92
Interest		14,703.00	14,789.66
Total Expenditures	<u>1,209,500.00</u>	<u>1,737,798.60</u>	<u>1,477,776.91</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>374,000.00</u>	<u>47,921.40</u>	<u>287,789.76</u>
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets			22,000.00
Inception of Capital Leases		43,360.00	43,360.00
Transfers Out	(374,000.00)	(374,000.00)	(324,000.00)
Total Other Financing Sources (Uses)	<u>(374,000.00)</u>	<u>(330,640.00)</u>	<u>(258,640.00)</u>
Net Change in Fund Balances		(282,718.60)	29,149.76
Fund Balances - Beginning of Year		<u>282,718.60</u>	<u>795,638.76</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 824,788.52</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ (5,331.62)	\$ 1,318,511.29
		393,619.96
		48,103.80
	<u>(5,331.62)</u>	<u>1,760,235.05</u>
		126,129.19
		860,584.83
		281,376.31
		194,896.92
		14,789.66
		<u>1,477,776.91</u>
	<u>(5,331.62)</u>	<u>282,458.14</u>
		22,000.00
		43,360.00
		<u>(324,000.00)</u>
		<u>(258,640.00)</u>
	(5,331.62)	23,818.14
(2)	<u>(106,565.20)</u>	<u>689,073.56</u>
	<u>\$ (111,896.82)</u>	<u>\$ 712,891.70</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, 2005***

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.

\$ (5,331.62)

\$ (5,331.62)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RRR Gasoline Tax Fund
For the Year Ended September 30, 2005***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
Intergovernmental	\$ 1,525,000.00	\$ 1,525,000.00	\$ 1,589,735.80
Miscellaneous	850.00	850.00	42,385.73
Total Revenues	<u>1,525,850.00</u>	<u>1,525,850.00</u>	<u>1,632,121.53</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	1,525,850.00	2,581,972.75	1,139,995.78
Debt Service:			
Principal			
Interest			730.03
Total Expenditures	<u>1,525,850.00</u>	<u>2,581,972.75</u>	<u>1,140,725.81</u>
Excess (Deficiency) of Revenues Over Expenditures		(1,056,122.75)	491,395.72
Fund Balances - Beginning of Year		<u>1,056,122.75</u>	<u>1,056,122.75</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 1,547,518.47</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,589,735.80
	42,385.73
	<u>1,632,121.53</u>
	1,139,995.78
	730.03
	<u>1,140,725.81</u>
	491,395.72
	<u>1,056,122.75</u>
<u>\$</u>	<u>\$ 1,547,518.47</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2005***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
<u>Revenues</u>			
Taxes	\$ 1,311,700.00	\$ 1,341,700.00	\$ 1,209,607.95
Miscellaneous	3,055.00	3,055.00	7,645.38
Total Revenues	<u>1,314,755.00</u>	<u>1,344,755.00</u>	<u>1,217,253.33</u>
<u>Expenditures</u>			
Current:			
General Government	1,314,755.00	1,303,940.00	1,238,298.68
Capital Outlay		115,000.00	83,139.27
Debt Service:			
Principal		5,791.00	5,791.25
Interest		24.00	24.13
Total Expenditures	<u>1,314,755.00</u>	<u>1,424,755.00</u>	<u>1,327,253.33</u>
Excess (Deficiency) of Revenues Over Expenditures		(80,000.00)	(110,000.00)
Fund Balances - Beginning of Year		80,000.00	110,000.00
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,209,607.95
	7,645.38
	<u>1,217,253.33</u>
	1,238,298.68
	83,139.27
	5,791.25
	24.13
	<u>1,327,253.33</u>
	(110,000.00)
	<u>110,000.00</u>
<u>\$</u>	<u>\$</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Courthouse and Jail Fund
For the Year Ended September 30, 2005***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	\$ 323,000.00	\$ 323,000.00	\$ 302,126.82
Licenses and Permits	2,900.00	2,900.00	2,898.94
Miscellaneous	10,000.00	30,000.00	58,774.22
Total Revenues	335,900.00	355,900.00	363,799.98
Excess (Deficiency) of Revenues Over Expenditures	335,900.00	355,900.00	363,799.98
Other Financing Sources (Uses)			
Transfers Out	(335,900.00)	(355,900.01)	
Total Other Financing Sources (Uses)	(335,900.00)	(355,900.01)	
Net Change in Fund Balances		(0.01)	363,799.98
Fund Balances - Beginning of Year		150,000.01	1,229,660.55
Fund Balances - End of Year	\$	\$ 150,000.00	\$ 1,593,460.53

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.



	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ (1,332.95)	\$ 300,793.87
		2,898.94
		58,774.22
	<u>(1,332.95)</u>	<u>362,467.03</u>
	 <u>(1,332.95)</u>	 <u>362,467.03</u>
	 <u>(1,332.95)</u>	 <u>362,467.03</u>
(2)	<u>(26,641.28)</u>	<u>1,203,019.27</u>
	<u>\$ (27,974.23)</u>	<u>\$ 1,565,486.30</u>
	 <u>\$ (1,332.95)</u>	
	 <u>\$ (1,332.95)</u>	

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Housing and Urban Development</u>		
<u>Passed Through Alabama Department of</u>		
<u>Economic and Community Affairs</u>		
Community Development Block Grants/State's Program	14.228	CY-CE-PF-04-002
Community Development Block Grants/State's Program	14.228	CY-CM-PF-04-002
Sub-Total Community Development Block Grants/State's Program		
Emergency Shelter Grants Program	14.231	ESG-O4-014
Total U. S. Department of Housing and Urban Development		
<u>U. S. Department of Justice</u>		
<u>Direct Programs</u>		
Drug Court Discretionary Grant Program	16.585	2004-DC-BX-0016
Public Safety Partnership and Community Policing Grants (M)	16.710	2004-SH-WX-0037
<u>Passed Through Alabama Department of Homeland Security</u>		
State Domestic Preparedness Equipment Support Program	16.007	3 DE 1
State Domestic Preparedness Equipment Support Program	16.007	3 DE 2
Total State Domestic Preparedness Equipment Support Program (M) (Note 2)		
<u>Passed Through Alabama Department of</u>		
<u>Economic and Community Affairs</u>		
Juvenile Accountability Incentive Block Grant	16.523	03-JB-04-003
Byrne Formula Grant Program	16.579	04-DB-02-002
Violence Against Women Formula Grants	16.588	04-WF-PR-005
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DJ-01-006
Total U. S. Department of Justice		
<u>U. S. General Services Administration</u>		
<u>Passed Through Alabama Department of</u>		
<u>Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
09/24/2004-00/00/0000	\$ 297,000.00	\$ 250,000.00	\$ 102,195.90	\$ 102,195.90
07/27/2004-00/00/0000	643,714.90	400,000.00	161,384.75	161,384.75
	940,714.90	650,000.00	263,580.65	263,580.65
05/11/2004-05/10/2006	133,000.00	66,500.00	43,275.10	43,275.10
	1,073,714.90	716,500.00	306,855.75	306,855.75
09/01/2004-08/31/2006	197,934.00	197,934.00	94,480.31	94,480.31
03/01/2004-02/28/2007	318,276.00	318,276.00	144,795.20	144,795.20
11/01/2004-12/31/2005	35,000.00	35,000.00	34,459.75	34,459.75
11/01/2004-12/31/2005	61,742.35	61,742.35	6,251.51	6,251.51
	96,742.35	96,742.35	40,711.26	40,711.26
10/01/2004-09/30/2005	44,304.75	39,874.14	39,874.14	39,874.14
07/01/2004-06/30/2005	378,809.89	284,107.23	212,064.26	212,064.26
10/01/2004-09/30/2005	97,718.19	73,288.48	73,288.48	73,288.48
07/01/2005-06/30/2006	310,000.00	155,000.00	29,308.41	29,308.41
	1,443,785.18	1,165,222.20	634,522.06	634,522.06
10/01/2004-09/30/2005			89,150.14	89,150.14
	\$ 2,517,500.08	\$ 1,881,722.20	\$ 1,030,527.95	\$ 1,030,527.95

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through Top of Alabama Regional Council of Governments</u>		
Special Programs for the Aging:		
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	770-32-73-74
Aging Cluster:		
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	770-32-73-74
Title III, Part C - Nutrition Services	93.045	770-32-73-74
Sub-Total Aging Cluster		
National Family Caregiver Support	93.052	770-32-73-74
National Family Caregiver Support	93.052	AC 05-14
Total National Family Caregiver Support		
<u>Passed Through Alabama Emergency Management Agency</u>		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	05SNS
<u>Passed Through Alabama Department of Human Resources</u>		
Promoting Safe and Stable Families	93.556	4106
Total U. S. Department of Health and Human Services		
<u>Corporation for National and Community Service</u>		
<u>Direct Program</u>		
Retired and Senior Volunteer Program (M)	94.002	04SRSAL007
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 2,517,500.08	\$ 1,881,722.20	\$ 1,030,527.95	\$ 1,030,527.95
10/01/2004-09/30/2005	5,000.00	500.00	708.00	708.00
10/01/2004-09/30/2005	54,293.00	54,293.00	22,899.00	22,899.00
10/01/2004-09/30/2005	180,357.00	180,357.00	89,653.00	89,653.00
	<u>234,650.00</u>	<u>234,650.00</u>	<u>112,552.00</u>	<u>112,552.00</u>
10/01/2004-09/30/2005	2,000.00	2,000.00	1,165.00	1,165.00
10/01/2004-09/30/2005			6,429.38	6,429.38
	<u>2,000.00</u>	<u>2,000.00</u>	<u>7,594.38</u>	<u>7,594.38</u>
01/01/2005-08/30/2005	4,427.00	4,427.00	4,427.00	4,427.00
10/01/2004-09/30/2005	335,880.00	208,004.00	190,613.69	190,613.69
	<u>581,957.00</u>	<u>449,581.00</u>	<u>315,895.07</u>	<u>315,895.07</u>
10/01/2004-09/30/2005	179,151.00	179,151.00	179,151.00	179,151.00
	\$ 3,278,608.08	\$ 2,510,454.20	\$ 1,525,574.02	\$ 1,525,574.02

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Department of Homeland Security</u>		
State Domestic Preparedness Equipment Support Program	97.004	4 CZC
State Domestic Preparedness Equipment Support Program	97.004	4 CER
State Domestic Preparedness Equipment Support Program	97.004	4 SHL
Sub-Total State Domestic Preparedness Equipment Support		
Homeland Security Grant Program	97.067	4 SHL
Homeland Security Grant Program	97.067	5 SMA
Sub-Total Homeland Security Grant		
Total Homeland Security Cluster (M) (Note 2)		
<u>Passed Through Alabama Emergency Management Agency</u>		
Public Assistance Grants	97.036	FEMA-1549-DR-AL
Public Assistance Grants	97.036	FEMA-3237-EM-AL
Sub-Total Public Assistance Grants		
Hazard Mitigation Grant	97.039	SAFE-1442-50
Emergency Management Performance Grant	97.042	05-EMPG-50
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

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

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 3,278,608.08	\$ 2,510,454.20	\$ 1,525,574.02	\$ 1,525,574.02
05/14/2004-03/01/2006	16,000.00	16,000.00	15,499.52	15,499.52
05/14/2004-03/01/2006	17,000.00	17,000.00	16,988.88	16,988.88
05/14/2004-03/01/2006	150,000.00	150,000.00	133,546.22	133,546.22
	183,000.00	183,000.00	166,034.62	166,034.62
04/01/2005-04/01/2006	171,469.00	171,469.00	54,460.58	54,460.58
04/01/2005-04/01/2006	15,000.00	15,000.00	1,079.34	1,079.34
	186,469.00	186,469.00	55,539.92	55,539.92
	369,469.00	369,469.00	221,574.54	221,574.54
09/15/2004-09/30/2005			25,588.74	25,588.74
08/29/2005-09/30/2005			13,683.90	13,683.90
			39,272.64	39,272.64
10/01/2004-09/30/2005	44,413.00	33,310.00	33,310.00	33,310.00
10/01/2004-09/30/2005	36,884.00	32,781.00	32,781.00	32,781.00
	450,766.00	435,560.00	326,938.18	326,938.18
	\$ 3,729,374.08	\$ 2,946,014.20	\$ 1,852,512.20	\$ 1,852,512.20

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2005***

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.

Note 2 – Homeland Security Cluster

Grants made under the Homeland Security Cluster were made under different CFDA numbers depending on the year in which the grant was originally awarded. Supplemental funds awarded in fiscal year 2003 were made under CFDA Number 16.007, State Domestic Preparedness Equipment Support Program. These grants were originally awarded by the U. S. Department of Justice. They are shown as awards under this federal agency. However, it is not included in the total for the Homeland Security Cluster under the U. S. Department of Homeland Security. Funds awarded in fiscal year 2004, which were made under CFDA Number 97.004, State Domestic Preparedness Equipment Support Program. Funds awarded in fiscal year 2005 were made under CFDA Number 97.067, Homeland Security Grant Program. The grant funds received under these three CFDA numbers were treated as a cluster of programs and were audited as a major program for the fiscal year ended September 30, 2005.

CFDA Number		Revenue Recognized	Amount Expended
16.007	State Domestic Preparedness Equipment Support Program	\$ 40,711.26	\$ 40,711.26
97.004	State Domestic Preparedness Equipment Support Program	166,034.62	166,034.62
97.067	Homeland Security Grant Program	55,539.92	55,539.92
	Total Homeland Security Cluster	<u>\$262,285.80</u>	<u>\$262,285.80</u>

Additional Information

Commission Members and Administrative Personnel
October 1, 2004 through September 30, 2005

Commission Members			Term Expires
Hon. William D. Cannon	Chairman	4009 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
<u>Administrative Personnel</u>			
Pam Gilmore	County Administrator	1253 River Ridge Drive Guntersville, AL 35976	

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission (the "Commission") as of and for the year ended September 30, 2005, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 10, 2006. 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

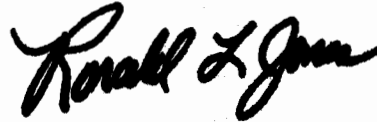
In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted certain matters involving the internal control over financial reporting that we have reported to the management of the Commission in the Report to the Chief Examiner.

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*. We noted a certain matter that we have reported to the management of the Commission in the Report to the Chief Examiner.

***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***

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

March 10, 2006

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

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, 2005. 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, 2005.

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.

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

We noted a certain matter involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

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 noncompliance with the 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. Our consideration of the internal control over compliance 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 believe that none of the reportable conditions described above is a material weakness.

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

March 10, 2006

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

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)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? X Yes _____ 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? X Yes _____ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
16.710	Public Safety Partnership and Community Policing Grants
94.002	Retired and Senior Volunteer Program
16.007, 97.004, 97.067	Homeland Security Cluster

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, 2005

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
2005-1	16.710	U. S. Department of Justice, Public Safety Partnership and Community Policing Grants	<p><u>Finding:</u> The federal compliance requirement for cash management requires that the costs for which reimbursement was requested be paid prior to the date of the reimbursement request. The Commission requested reimbursement for expenditures for which reimbursement had already been received. Additional expenditures were not made for these funds.</p> <p><u>Recommendation:</u> Procedures should be established to ensure that reimbursement is claimed only for expenditures actually made.</p>	



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

June 1, 2006

Ronald L. Jones, Chief Examiner
State of Alabama
Department of Examiners of Public Accounts
P O Box 302251
Montgomery, AL 36104-3833

RE: Marshall County Commission Audit Finding
Period October 1, 2004 through September 30, 2005

Dear Mr. Jones:

This letter is in response to your letter dated May 31, 2006, regarding the audit finding for the period above referenced.

Finding #2005-1:

The federal compliance requirement for cash management requires that the costs for which reimbursement is requested to be paid prior to the date of the reimbursement request. The commission requested reimbursement for expenditures for which reimbursement had already been received. Additional expenditures were not made for these funds.

Response:

Cops in School 2004 grant Number 2004SHWX0037 requested July and August too much. This grant can either be reimbursed or advanced. Per Peatty Randus phone Number 1-8—421-6770, on April 7, 2006 the amount reflected was subtracted on the January through March 269 form and request for draw down.

Finding:

The Alabama competitive Bid Law requires that sealed bids be obtained for purchases of goods and services costing \$7,500 or more. An emergency situation was declared for the setup of an emergency management station in response to Hurricane Katrina. Only the advertising requirements of the Alabama Competitive Bid Law may be bypassed in an emergency situation. Sealed bids are still required.

Response:

In the event a Natural Disaster does occur, bids will be taken as per the Alabama Competitive Bid Law.

Finding:

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 working in departments having time clocks did not always clock in and out properly on their timecard. These employees are required to clock in upon arrival and clock out when leaving to ensure proper documentation of actual time worked. Some employees repeatedly wrote in their arrival and departure times when a time clock was available for use.

Response:

Department Heads and Elected Officials have been made aware of this situation. Non-exempt employees will clock in upon arrival and out upon departure on their time card in areas where a time clock is provided. Writing in and out on employees time cards will not be accepted.

Should you have any questions or need additional information, please contact County Administrator Pam Gilmore at (205) 571-7701.

Sincerely,



Billy Cannon
Chairman

BC/tm

cc: Pam Gilmore