

Report on the

Marshall County Commission

Marshall County, Alabama

October 1, 2005 through September 30, 2006

Filed: August 10, 2007



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.state.al.us

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	46
Exhibit #14 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Courthouse and Jail Fund	48
<u>Supplementary Information</u>	50
Exhibit #15 Schedule of Expenditures of Federal Awards	51
Notes to the Schedule of Expenditures of Federal Awards	57
<u>Additional Information</u>	58
Exhibit #16 Commission Members and Administrative Personnel	59
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>	60
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	62
Exhibit #19 Schedule of Findings and Questioned Costs	64
Exhibit #20 Summary Schedule of Prior Audit Findings	66
Exhibit #21 Auditee Response	67



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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

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, 2005 through September 30, 2006.

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 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.

Summary Schedule of Prior Audit Findings (Exhibit 20) – a report, prepared by the Commission, on the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs relative to federal awards.

Auditee Response (Exhibit 21) – a response by the Commission on the results of the audit.

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 Commission's investment policy states that funds shall be deposited in a checking account, money market account, or certificate of deposit covered by the SAFE Program, or in U. S. Treasury Notes. The Commission invested funds in a repurchase agreement that does not follow the guidelines of the policy.
- ◆ Capital assets items were disposed of by the Commission in the 2005 fiscal year, but were not deleted from the capital assets listing until the 2006 fiscal year. Audit adjustments were made to correct this problem.

SUMMARY OF FEDERAL COMPLIANCE AND FEDERAL INTERNAL CONTROL

The Commission complied, in all material respects, with those requirements applicable to its major federal programs. No material weaknesses were noted in the internal control over compliance and its operation with respect to major federal programs.

STATUS OF PRIOR AUDIT

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

- ◆ According to the Marshall County Personnel Board Handbook (11.2.1), all time that an employee works in a workweek should be accounted for in accordance with procedures established by the Commission. Employees 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.
- ◆ Cash receipts were not always deposited in a timely manner.

RECOMMENDATIONS

- ◆ The Commission should deposit all funds in accounts that comply with the Commission's investment policy.
- ◆ The Commission should delete capital assets items from the capital assets listing at the time of disposal and make the appropriate accounting entries.
- ◆ All Commission employees should follow the Commission's policy regarding documentation of their work time.
- ◆ All receipts should be deposited daily.

Sworn to and subscribed before me this
the 17th day of July, 2007.

Joe N. Woodard
Notary Public

Respectfully submitted,

Keeling Smith

Keeling Smith
Examiner of Public Accounts

Sworn to and subscribed before me this
the 17th day of July, 2007.

Joe N. Woodard
Notary Public

Anthony Scott

Anthony Scott
Examiner of Public Accounts

rb

This Page Intentionally Blank

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County Commission, as of and for the year ended September 30, 2006, 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.

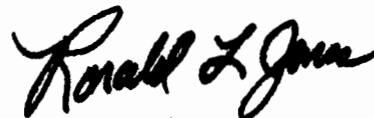
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government, the Marshall County Commission, as of September 30, 2006, 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.

As discussed in Note 17, certain entities that were previously treated as component units and excluded from the financial statements are now considered part of the primary government and are included in the accompanying financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2007 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

April 20, 2007

Management's Discussion and Analysis
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marshall County Commission management discussion and analysis for the fiscal year ended September 30, 2006, 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 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 & II.

- The Commission's net assets are \$16,333,876.87 with the change in net assets being an increase over last year by \$1,303,125.99.
- The Commission's program revenues for governmental programs (excluding transfers) were \$9,323,826.92 a decrease from last year.
- Total expenses for the Commission, were \$20,104,609.23 (increase from last fiscal year) in all governmental activities.
- Under the new Guidelines of GASB 34, the accumulated depreciation was \$11,346,124.51.

Overview of the Financial Statements

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

Government-Wide Financial Statements:

- The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private-sector business.

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

Fund Financial Statements

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

- Governmental funds – Most of the Commission's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation's to the government-wide financial statements.

- Fiduciary funds – The Commission is the trustee, or fiduciary, and responsible for assets of various agency funds that can be used only for the fiduciary beneficiaries. The Commission is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Commission’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. They are excluded from the Commission’s government-wide financial statements because the County cannot use their assets to finance its operations.

Financial Analysis of the Commission

The total net assets of the Commission for the fiscal year 2006 were \$16,333,876.87, fiscal year 2005 were \$15,645,600.22 prior to restatement and were \$15,030,750.88 after the restatement. At the end of the current fiscal year the Commission was able to present a positive net asset with an increase of \$1,303,125.99. Net assets of the Commission are summarized and analyzed below:

Table I

NET ASSETS			
September 30, 2006			
		2006	2005
Current and other assets	\$	15,216,759.55	\$ 13,295,677.95
Capital Assets		16,876,302.71	17,332,785.06
Total Assets	\$	32,093,062.26	\$ 30,628,463.01
Long-term debt outstanding		7,793,947.91	8,258,794.49
Other Liabilities		7,965,237.21	6,724,068.30
Total Liabilities	\$	15,759,185.39	\$ 14,982,862.79
 Net Assets			
Invested in capital assets			
Net of related debt		9,508,105.86	9,543,652.67
Restricted		1,547,587.91	1,966,426.64
Unrestricted		5,278,183.10	4,135,520.61
Total Net Assets	\$	16,333,876.87	\$ 15,645,600.22

As noted earlier, net assets may serve over time as a useful indicator of the Commission’s financial position. Assets exceeded liabilities by \$16,333,876.87 as of September 30, 2006. This was an increase of \$1,303,125.99 over last fiscal year. The increase is primarily due to increases in ad valorem taxes.

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 (9%) represents resources that are subject to external restrictions on how they may be used.

The remaining portion of the Commission's net assets (35 %) unrestricted and may be used to meet the Commission's ongoing obligations to citizens and creditors.

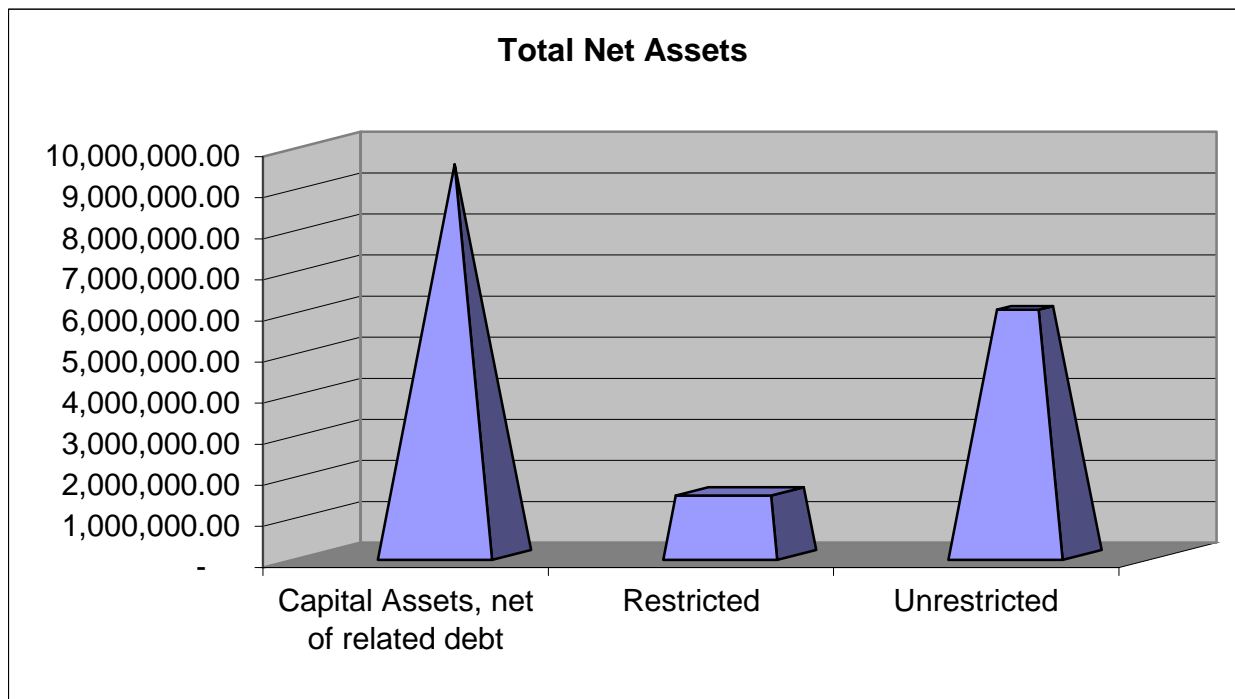


Table II

**CHANGES IN NET ASSETS
SEPTEMBER 30, 2006**

	Governmental Activities	
	2006	2005
Revenue		
Program Revenues:		
Charges for Services	1,775,291.73	1,590,861.87
Operating Grants & Contributions	7,445,430.14	6,723,332.50
Capital Grants & Contributions	103,105.05	1,494,372.21
General Revenues:		
Property Taxes for General Purpose	3,787,672.91	3,379,696.50
Property Taxes for Specific Purpose	3,183,929.03	2,959,799.86
Gasoline Sales Tax	508,517.43	527,061.49
General Sales Tax	49,320.57	43,587.50
Grants & Contribution no Restricted for Specific Purpose	751,066.96	526,650.33
Gain on Dispositions of Capital Assets	19,129.71	50,452.83
Miscellaneous Taxes	2,790,052.08	2,527,360.10
Interest Earned	298,547.03	118,562.41
Miscellaneous	695,672.58	993,453.27
Total Revenue	21,407,735.22	20,935,190.87
Expense		
General Government	5,337,675.85	5,514,923.43
Public Safety	5,717,049.69	5,540,183.48
Highways & Roads	6,192,142.07	4,932,824.17
Sanitation	470,551.76	228,348.87
Health	73,913.89	68,183.52
Welfare	1,348,402.67	1,265,849.76
Culture & Recreation	300,674.84	287,320.31
Education	95,982.38	82,459.01
Interest & Fiscal Charges on Long-Term Debt	317,156.31	331,088.51
Intergovernmental	251,059.77	123,043.87
Total Expense	20,104,609.23	18,374,224.93
Increase in net assets	1,303,125.99	2,560,965.94
Net Asset – Beginning of Year *	15,030,750.88	13,084,634.28
Net Assets – End of Year	16,333,876.87	15,645,600.22

*As restated

The total revenue for the Commission during the fiscal year 2006 was \$21,407,735.22 (excluding transfers). Approximately 33% of the revenue comes from property tax, while 3% in county sales tax and 13% in miscellaneous taxes. Charges for service were 8% and interest earned/miscellaneous is 3%. The commission's operating grants and contributions is 35% of total revenue.

The Commission's total expense was \$20,104,609.23 for the fiscal year 2006(excluding transfers). The expense by functions are as follows: General Government 26.6%, Public Safety 28.4%, Highways and Roads 30.8%, Sanitation 2.3%, Interest & Fiscal charges 1.6%, Welfare 6.7% and Health, Culture & Recreation, Education along with Intergovernmental beginning 3.6%.

The Commission was able to fully fund the year's cost and also increase total net assets by \$1,303,125.99.

Table III

Governmental Activities

	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>
General Government	5,337,675.85	2,548,867.85
Public Safety	5,717,049.69	4,379,692.82
Highway and Roads	6,192,142.07	2,388,671.06
Other Programs	2,857,741.62	1,463,550.58
Total	20,104,609.23	10,780,782.31

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 IV

	Beginning Fund <u>Balance</u>	Net Increase <u>(Decrease)</u>	Ending Fund <u>Balance</u>
General	383,463.28	898,159.61	1,281,622.89
Gasoline Tax	463,449.76	(22,930.49)	440,519.27
Public Building Road and Bridge	712,891.70	281,348.88	994,240.58
Reappraisal	-0-	-0-	-0-
Courthouse & Jail	1,565,486.30	416,219.08	1,981,705.38
RRR Gasoline Tax	1,547,518.47	(460,320.45)	1,087,198.02

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 increased by \$898,159.61. The fund balance includes Employee Health Insurance reserved for retirees.

Gasoline Tax Fund – this fund maintained their fund balance with a slight decrease of \$(22,930.49).

Public Building, Roads and Bridges Fund – the fund balance was increased \$281,348.88.

Reappraisal Fund – there was no ending fund balance.

Courthouse & Jail Fund – the fund balance was increased by \$416,219.08 unreserved for emergency needs.

RRR Gasoline Tax Fund – the fund balance was decreased by \$460,320.45 due to 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, 2006.

Table V

CAPITAL ASSETS	
Land	1,020,385.99
Infrastructure	6,025,656.31
Buildings & Improvements	12,122,412.39
Motor Vehicle, Equipment & Furniture	8,517,431.93
Assets Under Capital Lease	536,540.60
Less: Accumulated Depreciation	(15,855,916.72)

Capital assets used in Governmental activities are not financial resources and therefore are not reported as assets in Governmental funds.

Long-Term Obligations

As of September 30, 2006 the Commission's long-term Warrant outstanding debt was \$7,000,000.00. This was a decrease of \$305,000.00 from the previous fiscal year.

The Commission issued a \$345,000.00 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	111,052.25
Capital Lease Contracts	257,144.60
Warrants Payable	7,000,000.00
Estimated Liability for Compensated Absences	425,751.06
Total long-term debt	7,793,947.91

ECONOMIC FACTORS AND CONDITIONS

- Property tax revenue is a major resource component for the Commission. Marshall County will be conducting a full on going appraisal each year, which will increase our property values.
- The Commission received several new grants for weather sirens to be installed in each district.
- Health insurance remained the same per employee during the fiscal year 2005-2006. The Counties reinsurance decreased approximately 2% savings for Marshall County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, 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, 2006

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 4,764,124.31
Investments	1,571,889.10
Receivables (Note 4)	1,688,535.60
Ad Valorem Taxes Receivable	6,211,345.12
Lease Receivable	571,708.30
Restricted Cash with Fiscal Agent	409,157.12
Capital Assets (Note 5):	
Nondepreciable	1,020,385.99
Depreciable, Net	15,855,916.72
	<hr/>
Total Assets	32,093,062.26
	<hr/>
<u>Liabilities</u>	
Payables (Note 9)	81,750.92
Deferred Revenue	7,312,205.17
Accrued Wages Payable	325,666.12
Accrued Interest Payable	123,415.27
Estimated Claims Costs Payable	122,200.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Notes Payable	88,203.95
Capital Leases Payable	149,843.84
Warrants Payable	315,000.00
Compensated Absences	56,018.33
Portion Due or Payable After One Year:	
Notes Payable	22,848.30
Capital Leases Payable	107,300.76
Warrants Payable	6,685,000.00
Compensated Absences	369,732.73
	<hr/>
Total Liabilities	15,759,185.39
	<hr/>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	9,508,105.86
Restricted for:	
Road Projects	1,261,846.06
Debt Service	285,741.85
Unrestricted	5,278,183.10
	<hr/>
Total Net Assets	\$ 16,333,876.87
	<hr/> <hr/>

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

Statement of Activities
For the Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
General Government	\$ 5,337,675.85	\$ 1,491,935.38	\$ 1,296,872.62
Public Safety	5,717,049.69	81,241.51	1,256,115.36
Highways and Roads	6,192,142.07	15,430.31	3,788,040.70
Sanitation	470,551.76		238,615.25
Health	73,913.89		50,256.91
Welfare	1,348,402.67	15,462.48	815,529.30
Culture and Recreation	300,674.84	171,222.05	
Education	95,982.38		
Interest on Long-Term Debt	317,156.31		
Intergovernmental	251,059.77		
Total Governmental Activities	<u>\$ 20,104,609.23</u>	<u>\$ 1,775,291.73</u>	<u>\$ 7,445,430.14</u>

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 15)

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>
\$	\$ (2,548,867.85)
	(4,379,692.82)
	(2,388,671.06)
	(231,936.51)
	(23,656.98)
103,105.05	(414,305.84)
	(129,452.79)
	(95,982.38)
	(317,156.31)
	(251,059.77)
<u>\$ 103,105.05</u>	<u>(10,780,782.31)</u>

3,787,672.91
3,183,929.03
508,517.43
49,320.57
2,790,052.08

751,066.96
298,547.03
695,672.58
19,129.71
12,083,908.30

1,303,125.99

15,030,750.88

\$ 16,333,876.87

Balance Sheet
Governmental Funds
September 30, 2006

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<u>Assets</u>			
Cash and Cash Equivalents	\$ 713,286.55	\$ 356,786.67	\$ 456,962.17
Cash with Fiscal Agent			
Investments			604,191.41
Receivables (Note 4)	996,161.00	133,683.67	69,517.58
Ad Valorem Taxes Receivable	3,231,222.28		1,212,368.36
Interfund Receivables	213,818.52		
Lease Receivable			
Total Assets	5,154,488.35	490,470.34	2,343,039.52
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Payables (Note 9)	6,101.40	668.78	70.50
Interfund Payables			
Deferred Revenue	3,539,034.54		1,332,145.13
Accrued Wages Payable	205,529.52	49,282.29	16,583.31
Compensated Absences			
Estimated Claims Cost Payable	122,200.00		
Total Liabilities	3,872,865.46	49,951.07	1,348,798.94
<u>Fund Balances</u>			
Reserved for:			
Debt Service			
Encumbrances	1,411.00	19,515.70	
Future Claims	242,470.52		
Unreserved, Reported in:			
General Fund	1,037,741.37		
Special Revenue Funds		421,003.57	994,240.58
Total Fund Balances	1,281,622.89	440,519.27	994,240.58
Total Liabilities and Fund Balances	\$ 5,154,488.35	\$ 490,470.34	\$ 2,343,039.52

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
\$ 953,288.23	\$ 87,284.41	\$ 1,035,932.61	\$ 1,160,583.67	\$ 4,764,124.31
			409,157.12	409,157.12
		967,697.69		1,571,889.10
133,909.79		8,019.07	347,244.49	1,688,535.60
	1,464,767.23	302,987.25		6,211,345.12
				213,818.52
			571,708.30	571,708.30
<u>1,087,198.02</u>	<u>1,552,051.64</u>	<u>2,314,636.62</u>	<u>2,488,693.58</u>	<u>15,430,578.07</u>
			74,910.24	81,750.92
			213,818.52	213,818.52
	1,533,500.00	332,931.24	574,594.26	7,312,205.17
	18,551.64		35,719.36	325,666.12
			2,921.18	2,921.18
				122,200.00
	<u>1,552,051.64</u>	<u>332,931.24</u>	<u>901,963.56</u>	<u>8,058,561.91</u>
			416,687.07	416,687.07
229,870.30			100.00	250,897.00
				242,470.52
				1,037,741.37
857,327.72		1,981,705.38	1,169,942.95	5,424,220.20
<u>1,087,198.02</u>		<u>1,981,705.38</u>	<u>1,586,730.02</u>	<u>7,372,016.16</u>
<u>\$ 1,087,198.02</u>	<u>\$ 1,552,051.64</u>	<u>\$ 2,314,636.62</u>	<u>\$ 2,488,693.58</u>	<u>\$ 15,430,578.07</u>

This Page Intentionally Blank

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2006***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 7,372,016.16

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

Capital assets used in governmental activities are not financial resources and therefore
are not reported as assets in governmental funds. (See Note 5)

Nondepreciable	\$ 1,020,385.99	
Depreciable, Net	15,855,916.72	16,876,302.71

Certain liabilities are not due and payable in the current period and therefore are not
reported as liabilities in the funds. These liabilities at year-end consist of:

	Due or Payable Within One Year	Due or Payable After One Year	
Warrants Payable	\$ 315,000.00	6,685,000.00	
Notes Payable	88,203.95	22,848.30	
Capital Lease Contracts Payable	149,843.84	107,300.76	
Accrued Interest Payable	123,415.27		
Compensated Absences	53,097.15	369,732.73	
Total Long-Term Liabilities	\$ 729,560.21	\$ 7,184,881.79	(7,914,442.00)

Total Net Assets - Governmental Activities (Exhibit 1) \$ 16,333,876.87

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, 2006

	General Fund	Gasoline Tax Fund	Public Buildings, Roads and Bridges Fund
<u>Revenues</u>			
Taxes	\$ 4,585,028.47	\$	\$ 1,466,520.89
Licenses and Permits	112,724.62		
Intergovernmental	2,771,072.88	1,628,657.10	383,765.47
Charges for Services	1,451,138.42		
Miscellaneous	563,922.88	32,495.18	14,804.48
Total Revenues	<u>9,483,887.27</u>	<u>1,661,152.28</u>	<u>1,865,090.84</u>
<u>Expenditures</u>			
Current:			
General Government	2,835,412.01		127,547.20
Public Safety	4,366,917.88		
Highways and Roads		1,956,167.84	812,685.76
Sanitation	21,894.35		
Health	70,942.87		
Welfare	122,526.46		
Culture and Recreation	22,570.00		
Education	95,982.38		
Capital Outlay	270,546.00	160,311.10	118,884.15
Debt Service:			
Principal Retirement	110,717.78	23,082.25	119,934.15
Interest and Fiscal Charges	4,230.31	4,176.71	7,401.05
Intergovernmental	251,059.77		
Total Expenditures	<u>8,172,799.81</u>	<u>2,143,737.90</u>	<u>1,186,452.31</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,311,087.46</u>	<u>(482,585.62)</u>	<u>678,638.53</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	419,788.95	299,711.94	
Sale of Capital Assets	9,477.25	10,882.09	10,710.35
Inception of Capital Leases		149,061.10	
Transfers Out	(842,194.05)		(408,000.00)
Total Other Financing Sources (Uses)	<u>(412,927.85)</u>	<u>459,655.13</u>	<u>(397,289.65)</u>
Net Changes in Fund Balances	898,159.61	(22,930.49)	281,348.88
Fund Balances - Beginning of Year, as Restated (Note 15)	<u>383,463.28</u>	<u>463,449.76</u>	<u>712,891.70</u>
Fund Balances - End of Year	<u>\$ 1,281,622.89</u>	<u>\$ 440,519.27</u>	<u>\$ 994,240.58</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
\$	\$ 1,219,853.11	\$ 366,719.07	\$ 914,059.62	\$ 8,552,181.16
				112,724.62
1,701,721.88		2,920.69	3,655,138.98	10,143,277.00
			176,632.05	1,627,770.47
67,957.35	9,861.48	46,579.32	217,031.57	952,652.26
1,769,679.23	1,229,714.59	416,219.08	4,962,862.22	21,388,605.51
	1,225,510.29		797,797.98	4,986,267.48
			1,080,043.19	5,446,961.07
2,229,999.68			705,658.05	5,704,511.33
			448,657.41	470,551.76
				70,942.87
			1,090,510.32	1,213,036.78
			262,290.81	284,860.81
				95,982.38
	6,122.32		320,281.08	876,144.65
			316,262.42	569,996.60
			306,080.68	321,888.75
				251,059.77
2,229,999.68	1,231,632.61		5,327,581.94	20,292,204.25
(460,320.45)	(1,918.02)	416,219.08	(364,719.72)	1,096,401.26
			873,729.36	1,593,230.25
	1,918.02		7,033.00	40,020.71
				149,061.10
			(343,036.20)	(1,593,230.25)
	1,918.02		537,726.16	189,081.81
(460,320.45)		416,219.08	173,006.44	1,285,483.07
1,547,518.47		1,565,486.30	1,413,723.58	6,086,533.09
\$ 1,087,198.02	\$	\$ 1,981,705.38	\$ 1,586,730.02	\$ 7,372,016.16

This Page Intentionally Blank

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, 2006

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,285,483.07

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	\$ 876,144.65	
Depreciation Expense	<u>(1,288,820.00)</u>	
Total		(412,675.35)

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 and does not effect the Statement of Activities. 569,996.60

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

Net Decrease in Compensated Absences	\$ 25,541.33	
Net Decrease in Accrued Interest Payable	<u>4,732.44</u>	
Total		30,273.77

Governmental funds report the proceeds of entering into a capital lease as an increase in financial resources. However, issuing debt increases liabilities in the Statement of Net Assets and does not effect the Statement of Activities.

Capital Leases	(149,061.10)
----------------	--------------

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. (20,891.00)

Change in Net Assets of Governmental Activities (Exhibit 2)	<u><u>\$ 1,303,125.99</u></u>
---	-------------------------------

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

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 357,620.68	\$ 15,000.00
Accounts Receivable	20,979.47	
Total Assets	<u>378,600.15</u>	<u>15,000.00</u>
<u>Liabilities</u>		
Accounts Payable		15,000.00
Accrued Wages Payable	4,082.28	
Total Liabilities	<u>4,082.28</u>	<u>\$ 15,000.00</u>
<u>Net Assets</u>		
Held in Trust for Other Purposes	<u>374,517.87</u>	
Total Net Assets	<u>\$ 374,517.87</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, 2006

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Worthless Check Collection Service Charges	\$ 228,060.91
Excess From Land Sales	127,881.71
Library Fees	22,570.00
Federal Grants	1,307.69
State Grants	85,278.82
Child Protection	23,967.09
Miscellaneous	5,005.82
Interest	1,043.90
Total Additions	<u>495,115.94</u>
<u>Deductions</u>	
Administrative Expenses	<u>411,087.07</u>
Total Deductions	<u>411,087.07</u>
Change in Net Assets	84,028.87
Net Assets - Beginning of Year	<u>290,489.00</u>
Net Assets - End of Year	<u><u>\$ 374,517.87</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, 2006

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The Marshall County Commission is a general purpose local government governed by separately elected commissioners. The accompanying financial statements present the activities of the Marshall County Commission (the primary government).

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.

Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net 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.

Notes to the Financial Statements

For the Year Ended September 30, 2006

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

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

Notes to the Financial Statements

For the Year Ended September 30, 2006

- ◆ **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 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2006

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

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.

Notes to the Financial Statements
For the Year Ended September 30, 2006

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

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

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

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.

Notes to the Financial Statements
For the Year Ended September 30, 2006

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

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

The 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.

Notes to the Financial Statements

For the Year Ended September 30, 2006

Annual Leave

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

Sick Leave

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

Compensatory Leave

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

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

As of September 30, 2006, the liability for accrued annual, sick and compensatory leave is approximately \$425,751.06, which includes the current portion of \$56,018.33 and the long-term portion of \$369,732.73. The fund financial statements report a current liability for compensated absences in the amount of \$2,921.18.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2006

- ◆ **Restricted** – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Commission.

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

Note 2 – Stewardship, Compliance, and Accountability

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, RRR Gasoline Tax Fund and Reappraisal 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.

Notes to the Financial Statements
For the Year Ended September 30, 2006

B. Deficit Fund Balances/Net Assets of Individual Funds

At September 30, 2006, the following governmental funds had deficit fund balances:

Family Options Fund	\$ 7,989.24
Drug-Control Multi-Jurisdictional Fund	\$12,951.20
Senior Services Fund	\$ 96.49
Violence Against Women Fund	\$ 290.19
JOAP Grant Fund	\$ 1,508.78

The deficits in these funds are due to the accrual of unpaid wages at September 30, 2006. Revenues will be received to cover these wages early in the next fiscal year when they are actually paid.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2006

B. Cash with Fiscal Agents

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-21, 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.

As of September 30, 2006, 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	93% less than 3 months 7% less than 6 months	<u>\$409,157.12</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 agreements 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 – State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard and Poor's Corporation and Moody's Investor Service, Inc. The Commission does not have a formal investment policy that limits the amount of exposure to credit risk. As of September 30, 2006, the Commission's money market fund was rated AAA by Standard and Poor's.

Notes to the Financial Statements
For the Year Ended September 30, 2006

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.

Note 4 – Receivables

On September 30, 2006, 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	RRR Gasoline Tax Fund	Courthouse and Jail Fund	Other Governmental Funds	Total
Accounts Receivable	\$ 9,584.00	\$	\$	\$	\$	\$ 66,340.49	\$ 75,924.49
Sales Tax Receivable	3,621.44						3,621.44
Due from Other Governments	982,955.56	133,683.67	69,517.58	133,909.79	8,019.07	280,904.00	1,608,989.67
Totals	\$996,161.00	\$133,683.67	\$69,517.58	\$133,909.79	\$8,019.07	\$347,244.49	\$1,688,535.60

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, 2006, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes Receivable	\$6,147,999.00	\$
Ad Valorem Motor Vehicle Taxes Receivable		457,533.02
Reappraisal Ad Valorem Tax		132,078.89
Grant Drawdowns Prior to Meeting All Eligibility Requirements		2,885.96
Lease Receivable		571,708.30
Total Deferred/Unearned Revenue for Governmental Funds	\$6,147,999.00	\$1,164,206.17

Notes to the Financial Statements
For the Year Ended September 30, 2006

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	Balance 10/01/2005, as Restated (*)	Additions	Deletions	Balance 09/30/2006
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 1,003,385.99	\$ 17,000.00	\$	\$ 1,020,385.99
Infrastructure in Progress – Bridges				
Total Capital Assets, Not Being Depreciated	1,003,385.99	17,000.00		1,020,385.99
Capital Assets Being Depreciated:				
Infrastructure – Bridges	6,025,656.31			6,025,656.31
Buildings and Improvements	12,122,412.39			12,122,412.39
Motor Vehicles, Furniture and Equipment	8,066,988.46	774,777.95	(324,334.48)	8,517,431.93
Equipment Under Capital Leases	452,173.90	149,061.10	(64,694.40)	536,540.60
Total Capital Assets Being Depreciated	26,667,231.06	923,839.05	(389,028.88)	27,202,041.23
Less Accumulated Depreciation for:				
Infrastructure – Bridges	(619,645.00)	(117,134.00)		(736,779.00)
Buildings and Improvements	(4,196,608.00)	(303,060.00)		(4,499,668.00)
Motor Vehicles, Furniture and Equipment	(5,482,155.99)	(832,135.00)	303,443.48	(6,010,847.51)
Equipment Under Capital Leases	(62,339.00)	(52,665.00)	16,174.00	(98,830.00)
Total Accumulated Depreciation	(10,360,747.99)	(1,304,994.00)	319,617.48	(11,346,124.51)
Total Capital Assets Being Depreciated, Net	16,306,483.07	(381,154.95)	(69,411.40)	15,855,916.72
Total Governmental Activities Capital Assets, Net	\$ 17,309,869.06	\$ (364,154.95)	\$ (69,411.40)	\$ 16,876,302.71
(*) Restated to correct capital assets and accumulated depreciation balances \$(16,556.00).				

The additions and deletions columns include reclassifications of Equipment Under Capital Leases to Motor Vehicles, Furniture, and Equipment in the amount of \$64,694.40. Depreciation for these items totaling \$16,174.00 was also reclassified.

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

	Current Year Depreciation Expense
Governmental Activities:	
General Government	\$ 384,858.00
Public Safety	279,299.00
Highway and Roads	475,802.00
Health	1,424.00
Welfare	137,294.00
Culture and Recreation	10,143.00
Total Depreciation Expense – Governmental Activities	\$1,288,820.00

Notes to the Financial Statements

For the Year Ended September 30, 2006

Note 6 – Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

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, 2006, was 5.99 percent based on the actuarial valuation performed as of September 30, 2004.

C. Annual Pension Cost

For the year ended September 30, 2006, the Commission's annual pension cost of \$355,136 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, 2005, was 14 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
09/30/2006	\$355,136	100%	\$0
09/30/2005	\$319,975	100%	\$0
09/30/2004	\$244,924	100%	\$0

Notes to the Financial Statements
For the Year Ended September 30, 2006

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]
09/30/2005	\$13,464,510	\$14,588,616	\$1,124,106	92.3%	\$5,762,541	19.3%
09/30/2004**	\$12,838,170	\$13,331,268	\$ 493,098	96.3%	\$5,794,433	8.4%
09/30/2003***	\$12,220,694	\$12,588,001	\$ 367,307	97.1%	\$5,927,152	6.2%

* 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.

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, 2006, the Commission's expenditures to cover approximately 63 participants totaled \$467,964.00 for health insurance and \$3,628.22 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 elected to participate in this retirement plan, made monthly contributions out of his salary as required by law. At September 30, 2006, Sheriff Holcomb's contributions amounted to 29,346.11. Sheriff Holcomb died on March 17, 2007. His widow currently receives one-half of his eligible supernumerary payments as authorized by law.

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, 2006

Note 9 – Payables

On September 30, 2006, payables for the Commission’s individual major funds and other governmental funds in the aggregate are as follows:

	Vendors	Other Governments	Total Payables
Governmental Activities:			
General Fund	\$ 1,376.40	\$ 4,725.00	\$ 6,101.40
Gasoline Tax Fund	668.78		668.78
Public Buildings, Roads and Bridges Fund	70.50		70.50
Reappraisal Fund			
Other Governmental Funds	43,517.92	31,392.32	74,910.24
Total Governmental Activities	<u>\$45,633.60</u>	<u>\$36,117.32</u>	<u>\$81,750.92</u>

Note 10 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$536,540.60 for governmental activities at September 30, 2006. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year’s lease payments. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2006.

Fiscal Year Ending	Governmental Activities
September 30, 2007	\$157,344.94
2008	58,428.74
2009	40,919.32
2010	13,660.32
Total Minimum Lease Payments	<u>270,353.32</u>
Less: Amount Representing Interest	<u>(13,208.72)</u>
Present Value of Net Minimum Lease Payments	<u>\$257,144.60</u>

Notes to the Financial Statements
For the Year Ended September 30, 2006

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, 2006, total costs paid by the Commission were \$32,080.29 for operating leases. The payments remaining for the leases having initial or remaining noncancelable lease terms in excess of one year at September 30, 2006, are noted below.

Fiscal Year Ending	Equipment
2007	\$29,188.95
2008	24,083.59
2009	19,193.76
2010	3,648.51
Total	<u>\$76,114.81</u>

Note 11 – 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 \$571,708.30 is reflected in the financial statements at September 30, 2006. The short-term portion of this lease receivable is \$19,775.04.

Notes to the Financial Statements

For the Year Ended September 30, 2006

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2006:

	Debt Outstanding 10/01/2005	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2006	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
General Obligation Warrants:					
Series 2001	\$6,970,000.00	\$	\$300,000.00	\$6,670,000.00	\$310,000.00
U.S.D.A. Warrant/Loan	335,000.00		5,000.00	330,000.00	5,000.00
Sub-Total Warrants	7,305,000.00		305,000.00	7,000,000.00	315,000.00
Notes Payable	196,323.32		85,271.07	111,052.25	88,203.95
Other Liabilities:					
Capital Lease Contracts Payable	287,809.03	149,061.10	179,725.53	257,144.60	149,843.84
Estimated Liability for Compensated Absences	469,662.14		43,911.08	425,751.06	56,018.33
Total Governmental Activities Long-Term Liabilities	\$8,258,794.49	\$149,061.10	\$613,907.68	\$7,793,947.91	\$609,066.12

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 59% has been paid by the General Fund, 25% 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, 2006

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, 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	355,000.00	232,542.50	10,000.00	13,950.00
2012-2016	1,985,000.00	930,167.50	50,000.00	63,000.00
2017-2021	2,470,000.00	435,948.75	50,000.00	51,750.00
2022-2026	565,000.00	13,418.75	75,000.00	38,250.00
2027-2031			85,000.00	21,150.00
2032-2036			40,000.00	2,700.00
Total	<u>\$6,670,000.00</u>	<u>\$2,666,608.75</u>	<u>\$330,000.00</u>	<u>\$248,850.00</u>

Note 12 – 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, 2006, the principal balance outstanding on the 1994 Series Special Obligation School Refunding Warrants was \$6,295,000.00.

Notes to the Financial Statements
For the Year Ended September 30, 2006

Governmental Activities				Total Principal and Interest Requirements to Maturity
Notes Payable		Capital Lease Contracts Payable		
Principal	Interest	Principal	Interest	
\$ 88,203.95	\$2,396.05	\$149,843.84	\$ 7,501.10	\$ 858,129.94
22,848.30	129.60	54,651.91	3,776.83	685,895.39
		39,258.78	1,660.54	648,726.82
		13,390.07	270.25	618,760.32
				611,492.50
				3,028,167.50
				3,007,698.75
				691,668.75
				106,150.00
				42,700.00
\$111,052.25	\$2,525.65	\$257,144.60	\$13,208.72	\$10,299,389.97

Note 13 – Risk Management

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

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. Premiums are based on a rate per \$100 of remuneration for each class of employee, which is adjusted by an experience modifier for the individual county less a 15% discount. At year-end, pool participants receive refunds of unused premiums and the related investment earnings.

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

Notes to the Financial Statements
For the Year Ended September 30, 2006

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
2005-2006	\$207,500.50	\$1,893,859.97	\$1,962,628.97	\$138,731.50
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

Note 14 – Interfund Transactions

Interfund Receivables and Payables

The amounts due to/from other funds at September 30, 2006, were as follows:

	<u>Interfund Receivables</u> General Fund	Totals
Interfund Payables:		
Other Governmental Funds	\$213,818.52	\$213,818.52
Totals	<u>\$213,818.52</u>	<u>\$213,818.52</u>

Notes to the Financial Statements
For the Year Ended September 30, 2006

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2006, were as follows:

	Transfers Out			Totals
	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	
Transfers In:				
General Fund	\$	\$400,000.00	\$ 19,788.95	\$ 419,788.95
Gasoline Tax Fund		8,000.00	291,711.94	299,711.94
Other Governmental Funds	842,194.05		31,535.31	873,729.36
Totals	\$842,194.05	\$408,000.00	\$343,036.20	\$1,593,230.25

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 15 – Restatements

On October 1, 2005, the beginning fund balances for the Other Governmental Funds was restated to defer revenue on a lease receivable for amounts uncollected and unearned.

	Other Governmental Funds	Totals
Fund Balance, September 30, 2005, as Previously Reported	\$2,005,656.92	\$2,005,656.92
Restatements	(591,933.34)	(591,933.34)
Fund Balance, September 30, 2005, as Restated	<u>\$1,413,723.58</u>	<u>\$1,413,723.58</u>

Notes to the Financial Statements
For the Year Ended September 30, 2006

As of October 1, 2005, beginning net assets was restated to defer revenue on a lease receivable and correct capital assets and accumulated depreciation. The impact of the restatements on net assets is as follows

Net Assets, September 30, 2005, as Previously Reported	\$15,645,600.22
Restatement of Fund Balances	(591,933.34)
Restatement of Capital Assets	(218,807.01)
Restatement of Accumulated Depreciation	195,891.01
Net Assets, September 30, 2005, as Restated	<u>\$15,030,750.88</u>

Note 16 – Related Organizations

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

Note 17 – Change in Reporting Entity

The Offices of the Marshall County Revenue Commissioner, Judge on Probate and Sheriff, were previously considered component units of the Marshall County Commission and the activity of these offices was previously excluded from the financial statements. However, these offices are now considered part of the reporting entity rather than component units and the activity of these offices is now included in the financial statements of the Marshall County Commission.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 4,341,095.00	\$ 4,462,154.77	\$ 4,493,834.46
Licenses and Permits	287,000.00	287,000.00	112,724.62
Intergovernmental	1,907,285.00	2,333,581.20	2,771,072.88
Charges for Services	1,299,000.00	1,299,000.00	1,451,138.42
Miscellaneous	407,940.00	404,940.00	563,922.88
Total Revenues	<u>8,242,320.00</u>	<u>8,786,675.97</u>	<u>9,392,693.26</u>
<u>Expenditures</u>			
Current:			
General Government	3,580,915.50	3,516,111.66	2,835,412.01
Public Safety	4,332,300.00	4,412,757.69	4,366,917.88
Sanitation	19,605.00	21,909.02	21,894.35
Health	59,835.00	70,808.00	70,942.87
Welfare	137,820.00	148,843.00	122,526.46
Culture and Recreation			22,570.00
Education	62,920.00	95,989.41	95,982.38
Capital Outlay		263,042.05	270,546.00
Debt Service:			
Principal		108,827.00	110,717.78
Interest		4,223.00	4,230.31
Intergovernmental	130,000.00	251,059.77	251,059.77
Total Expenditures	<u>8,323,395.50</u>	<u>8,893,570.60</u>	<u>8,172,799.81</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(81,075.50)</u>	<u>(106,894.63)</u>	<u>1,219,893.45</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	944,380.00	944,380.00	419,788.95
Sale of Capital Assets			9,477.25
Transfers Out	(863,304.50)	(863,304.50)	(842,194.05)
Total Other Financing Sources (Uses)	<u>81,075.50</u>	<u>81,075.50</u>	<u>(412,927.85)</u>
Net Change in Fund Balances		(25,819.13)	806,965.60
Fund Balances - Beginning of Year		25,819.13	669,033.25
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 1,475,998.85</u>

	Budget to GAAP Differences		Actual Amounts GAAP Basis
(1)	\$ 91,194.01	\$	4,585,028.47
			112,724.62
			2,771,072.88
			1,451,138.42
			563,922.88
	<u>91,194.01</u>		<u>9,483,887.27</u>
			2,835,412.01
			4,366,917.88
			21,894.35
			70,942.87
			122,526.46
			22,570.00
			95,982.38
			270,546.00
			110,717.78
			4,230.31
			251,059.77
			<u>8,172,799.81</u>
	<u>91,194.01</u>		<u>1,311,087.46</u>
			419,788.95
			9,477.25
			<u>(842,194.05)</u>
			<u>(412,927.85)</u>
	91,194.01		898,159.61
(2)	<u>(285,569.97)</u>		<u>383,463.28</u>
	<u>\$ (194,375.96)</u>	\$	<u>1,281,622.89</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2006***

Explanation of differences:

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

Net Increase 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.

\$ 91,194.01

\$ 91,194.01

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2006***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Intergovernmental	\$ 1,470,000.00	\$ 1,470,000.00	\$ 1,628,657.10
Miscellaneous	9,000.00	9,000.00	32,495.18
Total Revenues	<u>1,479,000.00</u>	<u>1,479,000.00</u>	<u>1,661,152.28</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	1,821,500.00	2,339,384.00	1,956,167.84
Capital Outlay			160,311.10
Debt Service:			
Principal		12,000.00	23,082.25
Interest		4,800.00	4,176.71
Total Expenditures	<u>1,821,500.00</u>	<u>2,356,184.00</u>	<u>2,143,737.90</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(342,500.00)</u>	<u>(877,184.00)</u>	<u>(482,585.62)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	342,500.00	369,100.00	299,711.94
Sale of Capital Assets			10,882.09
Inception of Capital Leases		125,607.00	149,061.10
Total Other Financing Sources (Uses)	<u>342,500.00</u>	<u>494,707.00</u>	<u>459,655.13</u>
Net Change in Fund Balances		(382,477.00)	(22,930.49)
Fund Balances - Beginning of Year		<u>382,477.00</u>	<u>463,449.76</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 440,519.27</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,628,657.10
	32,495.18
	<u>1,661,152.28</u>
	1,956,167.84
	160,311.10
	23,082.25
	4,176.71
	<u>2,143,737.90</u>
	<u>(482,585.62)</u>
	299,711.94
	10,882.09
	149,061.10
	<u>459,655.13</u>
	(22,930.49)
	<u>463,449.76</u>
\$	\$ 440,519.27

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2006***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 1,425,000.00	\$ 1,425,000.00	\$ 1,430,172.65
Licenses and Permits	11,500.00	11,500.00	
Intergovernmental	315,000.00	315,000.00	383,765.47
Miscellaneous			14,804.48
Total Revenues	1,751,500.00	1,751,500.00	1,828,742.60
Expenditures			
Current:			
General Government	140,120.00	317,296.36	127,547.20
Highways and Roads	1,197,900.00	1,205,489.24	812,685.76
Capital Outlay			118,884.15
Debt Service:			
Principal		200,310.00	119,934.15
Interest		14,703.00	7,401.05
Total Expenditures	1,338,020.00	1,737,798.60	1,186,452.31
Excess (Deficiency) of Revenues Over Expenditures	413,480.00	13,701.40	642,290.29
Other Financing Sources (Uses)			
Sale of Capital Assets			10,710.35
Transfers Out	(413,480.00)	(374,000.00)	(408,000.00)
Total Other Financing Sources (Uses)	(413,480.00)	(374,000.00)	(397,289.65)
Net Change in Fund Balances		(360,298.60)	245,000.64
Fund Balances - Beginning of Year		360,298.60	824,788.52
Fund Balances - End of Year	\$	\$	\$ 1,069,789.16

Explanation of differences:

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

Net Increase 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)	\$ 36,348.24	\$	1,466,520.89
			383,765.47
			14,804.48
	<u>36,348.24</u>		<u>1,865,090.84</u>
			127,547.20
			812,685.76
			118,884.15
			119,934.15
			7,401.05
			<u>1,186,452.31</u>
	<u>36,348.24</u>		<u>678,638.53</u>
			10,710.35
			<u>(408,000.00)</u>
			<u>(397,289.65)</u>
	36,348.24		281,348.88
(2)	<u>(111,896.82)</u>		<u>712,891.70</u>
	<u>\$ (75,548.58)</u>	\$	<u>994,240.58</u>
	<u>\$ 36,348.24</u>		
	<u>\$ 36,348.24</u>		

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RRR Gasoline Tax Fund
For the Year Ended September 30, 2006***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Intergovernmental	\$ 1,558,000.00	\$ 1,558,000.00	\$ 1,701,721.88
Miscellaneous			67,957.35
Total Revenues	<u>1,558,000.00</u>	<u>1,558,000.00</u>	<u>1,769,679.23</u>
<u>Expenditures</u>			
Current:			
Highways and Roads	<u>1,558,000.00</u>	<u>3,105,500.00</u>	<u>2,229,999.68</u>
Total Expenditures	<u>1,558,000.00</u>	<u>3,105,500.00</u>	<u>2,229,999.68</u>
Excess (Deficiency) of Revenues Over Expenditures		(1,547,500.00)	(460,320.45)
Fund Balances - Beginning of Year		<u>1,547,500.00</u>	<u>1,547,518.47</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 1,087,198.02</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,701,721.88
	67,957.35
	<u>1,769,679.23</u>
	2,229,999.68
	<u>2,229,999.68</u>
	(460,320.45)
	<u>1,547,518.47</u>
<u>\$</u>	<u>\$ 1,087,198.02</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2006***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 1,350,432.00	\$ 1,350,432.00	\$ 1,219,853.11
Miscellaneous	1,500.00	1,500.00	9,861.48
Total Revenues	<u>1,351,932.00</u>	<u>1,351,932.00</u>	<u>1,229,714.59</u>
<u>Expenditures</u>			
Current:			
General Government	1,351,932.00	1,351,932.00	1,225,510.29
Capital Outlay			6,122.32
Total Expenditures	<u>1,351,932.00</u>	<u>1,351,932.00</u>	<u>1,231,632.61</u>
Excess (Deficiency) of Revenues Over Expenditures			<u>(1,918.02)</u>
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets			1,918.02
Total Other Financing Sources (Uses)			<u>1,918.02</u>
Net Change in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,219,853.11
	9,861.48
	<u>1,229,714.59</u>
	1,225,510.29
	6,122.32
	<u>1,231,632.61</u>
	(1,918.02)
	<u>1,918.02</u>
	<u>1,918.02</u>
\$	\$

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Courthouse and Jail Fund
For the Year Ended September 30, 2006***

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 324,000.00	\$ 324,000.00	\$ 357,631.95
Licenses and Permits	2,900.00	2,900.00	2,920.69
Miscellaneous	20,000.00	20,000.00	46,579.32
Total Revenues	<u>346,900.00</u>	<u>346,900.00</u>	<u>407,131.96</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>346,900.00</u>	<u>346,900.00</u>	<u>407,131.96</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	<u>(346,900.00)</u>	<u>(346,900.00)</u>	
Total Other Financing Sources (Uses)	<u>(346,900.00)</u>	<u>(346,900.00)</u>	
Net Change in Fund Balances			407,131.96
Fund Balances - Beginning of Year			<u>1,593,460.53</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 2,000,592.49</u>

Explanation of differences:

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

Net Increase 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)	\$ 9,087.12	\$	366,719.07
			2,920.69
			46,579.32
	<u>9,087.12</u>		<u>416,219.08</u>
	 9,087.12		 416,219.08
	 <u>9,087.12</u>		 <u>416,219.08</u>
(2)	<u>(27,974.23)</u>		1,565,486.30
	<u>\$ (18,887.11)</u>	\$	<u>1,981,705.38</u>
	 <u>\$ 9,087.12</u>		
	 <u>\$ 9,087.12</u>		

This Page Intentionally Blank

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

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 (M)		
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	16.710	2004-SH-WX-0037
<u>Passed Through Alabama Department of</u>		
<u>Economic and Community Affairs</u>		
Juvenile Accountability Incentive Block Grant	16.523	04-JB-11-002
Byrne Formula Grant Program	16.579	06-DJ-01-003
Violence Against Women Formula Grants	16.588	05-WF-WD-001
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-DJ-01-006
Total U. S. Department of Justice		
<u>U. S. Department of Labor</u>		
<u>Passed Through Top of Alabama Regional Council of</u>		
<u>Governments</u>		
Senior Community Service Employment Program	17.235	770-32-73-74
Total U. S. Department of Labor		
<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	N/A
Total U. S. General Services Administration		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
09/24/2004 - 00/00/0000	\$ 297,000.00	\$ 250,000.00	\$ 103,105.05	\$ 103,105.05
07/24/2004 - 03/30/2006	643,714.90	400,000.00	238,615.25	238,615.25
	940,714.90	650,000.00	341,720.30	341,720.30
	940,714.90	650,000.00	341,720.30	341,720.30
09/01/2004 - 08/31/2006	197,934.00	197,934.00	44,113.83	44,113.83
03/01/2004 - 02/28/2007	318,276.00	318,276.00	151,674.24	151,674.24
10/01/2005 - 09/30/2006	47,434.53	42,690.96	42,690.96	42,690.96
07/01/2006 - 06/30/2007	310,000.00	155,000.00	33,685.66	33,685.66
10/01/2005 - 09/30/2006	78,594.00	58,945.27	58,945.27	58,945.27
07/01/2005 - 06/30/2006	277,276.44	138,638.17	109,329.76	109,329.76
	1,229,514.97	911,484.40	440,439.72	440,439.72
10/01/2005 - 09/30/2006	12,301.68	12,301.68	12,301.68	12,301.68
	12,301.68	12,301.68	12,301.68	12,301.68
10/01/2005 - 09/30/2006			117,067.93	117,067.93
			117,067.93	117,067.93
	\$ 2,182,531.55	\$ 1,573,786.08	\$ 911,529.63	\$ 911,529.63

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Elections Assistance Commission</u>		
<u>Passed Through Alabama Office of Secretary of State</u>		
Help America Vote Act Requirements Payments	90.401	N/A
Total U. S. Elections Assistance Commission		
<u>U. S. Department of Health and Human Services</u>		
<u>Passed Through Top of Alabama Regional</u>		
<u>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
Title III, Part C - Nutrition Services	93.045	770-32-73-74
Sub-Total Title III, Part C - Nutrition Services		
Sub-Total Aging Cluster		
National Family Caregiver Support	93.052	770-32-73-74
National Family Caregiver Support	93.052	AC 05-14
Sub-Total National Family Caregiver Support		
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	SHIP
<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	94.002	04SRSAL007
Volunteers in Service to America	94.013	05VSSAL177
Total Corporation for National and Community Service		
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 2,182,531.55	\$ 1,573,786.08	\$ 911,529.63	\$ 911,529.63
10/01/2005 - 09/30/2006	241,000.00	241,000.00	241,000.00	241,000.00
	241,000.00	241,000.00	241,000.00	241,000.00
10/01/2005 - 09/30/2006	4,000.00	4,000.00	824.00	824.00
10/01/2005 - 09/30/2007	39,509.00	39,509.00	23,063.00	23,063.00
10/01/2005 - 09/30/2008	194,616.00	194,616.00	88,953.00	88,953.00
10/01/2005 - 09/30/2006	2,163.51	2,163.51	2,163.51	2,163.51
	196,779.51	196,779.51	91,116.51	91,116.51
	236,288.51	236,288.51	114,179.51	114,179.51
10/01/2005 - 09/30/2006	2,000.00	2,000.00	1,585.00	1,585.00
10/01/2005 - 09/30/2006	12,400.00	12,400.00	12,400.00	12,400.00
	14,400.00	14,400.00	13,985.00	13,985.00
09/01/2005 - 03/30/2006	900.00	900.00	900.00	900.00
10/01/2005 - 09/30/2006	335,880.00	208,004.00	188,833.50	188,833.50
	591,468.51	463,592.51	318,722.01	318,722.01
10/01/2004 - 12/31/2005	209,578.00	209,578.00	189,369.19	189,369.19
10/01/2005 - 09/30/2006	19,830.00	19,830.00	19,830.00	19,830.00
	229,408.00	229,408.00	209,199.19	209,199.19
	\$ 3,244,408.06	\$ 2,507,786.59	\$ 1,680,450.83	\$ 1,680,450.83

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006***

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>		
Homeland Security Grant Program	97.067	5 SHG
Homeland Security Grant Program	97.067	5 SCC
Homeland Security Grant Program	97.067	5 SMA
Sub-Total Homeland Security Grant Program (M)		
State Domestic Preparedness Equipment Support Program	97.004	4 CZC
State Domestic Preparedness Equipment Support Program	97.004	4 SHL
State Domestic Preparedness Equipment Support Program	97.004	4 SHL
State Domestic Preparedness Equipment Support Program	97.004	4 SHL
<u>Passed Through Alabama Emergency Management Agency</u>		
State Domestic Preparedness Equipment Support Program	97.004	Z UHF
State Domestic Preparedness Equipment Support Program	97.004	3 DOE
Sub-Total State Domestic Preparedness Equipment Support Program (M)		
Public Assistance Disaster Grants - Presidentially Declared Disasters	97.036	DR-1549-070
Public Assistance Disaster Grants - Presidentially Declared Disasters	97.036	FEMA-3237-EM-AL
Public Assistance Disaster Grants - Presidentially Declared Disasters	97.036	
Sub-Total Public Assistance Grants		
Hazard Mitigation Grant	97.039	DR-1549-081
Hazard Mitigation Grant	97.039	DR-1549-113
Hazard Mitigation Grant	97.039	
Sub-Total Hazard Mitigation Grants		
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
(N/A) = Not Available

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		
	\$ 3,244,408.06	\$ 2,507,786.59	\$ 1,680,450.83	\$ 1,680,450.83
04/01/2005 - 12/31/2006	150,000.00	150,000.00	108,555.49	108,555.49
04/01/2005 - 12/31/2006	55,850.00	55,850.00	54,686.20	54,686.20
04/01/2005 - 12/31/2006	15,000.00	15,000.00	10,027.00	10,027.00
	220,850.00	220,850.00	173,268.69	173,268.69
05/14/2004 - 12/31/2006	16,000.00	16,000.00	500.00	500.00
02/22/2005 - 03/01/2006	112,780.00	112,780.00	90,000.00	90,000.00
05/14/2004 - 12/31/2006	150,000.00	150,000.00	16,453.78	16,453.78
05/17/2005 - 12/31/2006	58,689.00	58,689.00	27,008.42	27,008.42
11/01/2005 - 12/31/2006	2,750.00	2,750.00	2,690.50	2,690.50
06/07/2005 - 02/15/2006	7,500.00	7,500.00	7,500.00	7,500.00
	347,719.00	347,719.00	144,152.70	144,152.70
10/01/2005 - 03/01/2007	81,488.00	63,561.00	62,418.20	62,418.20
09/01/2005 - 02/14/2006	27,732.66	27,732.66	14,048.76	14,048.76
10/01/2005 - 09/30/2006	1,375.02	1,375.02	1,375.02	1,375.02
	110,595.68	92,668.68	77,841.98	77,841.98
09/09/2005 - 06/30/2006	59,000.00	46,250.00	46,020.00	46,020.00
01/15/2006 - 10/31/2006	18,714.00	14,668.00	14,036.25	14,036.25
10/01/2005 - 09/30/2006	8,585.00	8,585.00	8,585.00	8,585.00
	86,299.00	69,503.00	68,641.25	68,641.25
10/01/2005 - 09/30/2006	51,450.00	31,781.00	31,781.00	31,781.00
	816,913.68	762,521.68	495,685.62	495,685.62
	\$ 4,061,321.74	\$ 3,270,308.27	\$ 2,176,136.45	\$ 2,176,136.45

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2006***

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 – CDBG Program

The Commission received federal awards under the Community Development Block Grants/State's Program (CFDA #14.228). However, pursuant to instructions from the pass-through entity, the compliance requirements relative to the Community Development Block Grants/Small Cities Program (CFDA #14.219) were used for compliance testing.

Note 3 – State Domestic Preparedness Equipment Support Program

The Commission received federal awards under the State Domestic Preparedness Equipment Support Program (CFDA #97.004). There were a total of six federal awards under this program. Four of them were passed through the Alabama Department of Homeland Security. The other two were passed through the Alabama Emergency Management Agency. Although the awards were received from two different pass-through agencies and the expenditures of these awards are shown separately on the Schedule of Expenditures of Federal Awards, they were audited together as a major program.

During the 2004-2005 fiscal year, the State Domestic Preparedness Equipment Support Program was included in the Homeland Security Cluster along with the Homeland Security Grant Program (CFDA #97.067). These programs are no longer treated as a cluster according to the 2005-2006 OMB A-133 Compliance Supplement. However, for audit purposes, the compliance requirements for the Homeland Security Cluster were applied to the awards, but each program was audited as a separate major program.

Additional Information

Commission Members and Administrative Personnel
October 1, 2005 through September 30, 2006

Commission Members			Term Expires
Hon. William D. Cannon	Chairman	(Deceased)	
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	***

*** Retired August 18, 2006

***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, 2006, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated April 20, 2007. 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*.

***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

April 20, 2007

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, 2006. 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, 2006.

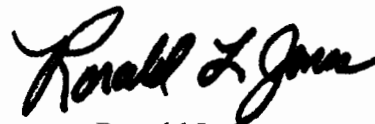
Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

April 20, 2007

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

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)? _____ Yes X None reported

Type of opinion issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program
97.004	State Domestic Preparedness Equipment Support Program
97.067	Homeland Security Grant Program

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, 2006

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings

MARSHALL COUNTY COMMISSION

CHAIRMAN
BILLY CANNON

COUNTY ENGINEER
BOB PIRANDO



DISTRICT 1
DOUGLAS D. FLEMING

DISTRICT 2
R.E. MARTIN

DISTRICT 3
C.W. "BUDDY" ALLEN

DISTRICT 4
TIM BOLLINGER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ending September 30, 2006

As required by the Office of Management and Budget (OMB) Circular No. A-133, Audit of States, Local governments, and Non-Profit Organizations, Section .315.©, the Marshall County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questions Costs for the year ended September 30, 2006.

Finding Ref. Number	Status of Prior Audit Finding
2005-1	Correction action has been taken

REMartin 5/1/07

R. E. Martin
Chairman Pro-Tem

REM/tm

Auditee Response

MARSHALL COUNTY COMMISSION

CHAIRMAN
DOUGLAS D. FLEMING

COUNTY ENGINEER
BOB PIRANDO

DISTRICT 1
WILLIAM H. STRICKLEND, III

DISTRICT 2
R.E. MARTIN

DISTRICT 3
C.W. "BUDDY" ALLEN

DISTRICT 4
TIM BOLLINGER

July 23, 2007

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 Corrective Action Plan
Period October 1, 2005 through September 30, 2006

Dear Mr. Jones:

This letter is in response to your letter dated July 16, 2007, regarding the audit finding for the period above referenced.

Finding:

The Commission's investment policy states that funds shall be deposited in a checking account, money market account, or certificate of deposit covered by the SAFE Program, or in U. S. Treasury Notes. The Commission invested funds in a repurchase agreement that does not follow the guidelines of the policy.

Response:

Regions Bank has been contacted concerning our investment policy. Ms. Linda Phillips, Customer Service and Financial Sales Representative assures the Commission that all accounts comply with Alabama's SAFE Program. Public depositor account information copies have been retained for our next audit.

Finding:

Capital assets items were disposed of by the Commission in the 2005 fiscal year, but were not deleted from the capital assets listing until the 2006 fiscal year. Audit adjustments were made to correct this problem.

Response:

Capital assets are now disposed of in writing monthly. The Commission has designated a Commission employee to be responsible for all transactions.

Page 2
July 23, 2007
State of Alabama
Mr. Ronald L. Jones

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 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 with time clock was available for use.

Response:

Elected Officials and Departments Heads have been made aware of this situation. Employees will clock in and out on their time cards where a time clock is provided. Our payroll administrator has been asked to notify department heads when an employee writes in their time for verification.

Finding :

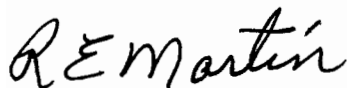
Cash receipts were not always deposited in a timely manner.

Response:

Cash receipts are deposited within two (2) days of receiving.

Should you have any questions, please feel free to contact my office.

Sincerely,



R. E. Martin
Vice - Chairman

REM/tm

Pc: Commissioners
File