

Report on the

Elmore County Commission

Elmore County, Alabama

October 1, 2011 through September 30, 2012

Filed: January 23, 2015



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner



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 41-5-21, I submit this report on the results of the audit of the Elmore County Commission, Elmore County, Alabama, for the period October 1, 2011 through September 30, 2012.

Sworn to and subscribed before me this
the 13 day of January, 2015.

Sandra E Shirley
Notary Public

Respectfully submitted,

A handwritten signature in cursive script that reads "Dixie Broadwater".

Dixie Broadwater
Examiner of Public Accounts

rb

Table of Contents

	<i>Page</i>
Summary	A
<p>Contains items pertaining to federal, state and local legal compliance, Commission operations, and other matters.</p>	
Schedule of State and Local Compliance and Other Findings	C
<p>Contains detailed information about findings pertaining to state and local legal compliance, and other findings.</p>	
Independent Auditor's Report	E
<p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p>	
Management's Discussion and Analysis	H
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by 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 has not been audited, and no opinion is provided about the information.</p>	
<u>Basic Financial Statements</u>	1
<p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.</p>	
Exhibit #1	2
Exhibit #2	3
Exhibit #3	5
Exhibit #4	7
Exhibit #5	8

Table of Contents

	<i>Page</i>
Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Exhibit #7 Statement of Fiduciary Net Assets	11
Exhibit #8 Statement of Changes in Fiduciary Net Assets	12
Notes to the Financial Statements	13
<u>Required Supplementary Information</u>	32
Provides information required by the GASB to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #9 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	33
Exhibit #10 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reappraisal Fund	37
Exhibit #11 Schedule of Funding Progress	39
<u>Supplementary Information</u>	40
Contains financial information and notes relative to federal financial assistance.	
Exhibit #12 Schedule of Expenditures of Federal Awards	41
Notes to the Schedule of Expenditures of Federal Awards	45

Table of Contents

		<i>Page</i>
<u>Additional Information</u>		46
<p>Provides basic information related to the Commission, including 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.</p>		
Exhibit #13	Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel.	47
Exhibit #14	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> – a report on internal controls 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.	48
Exhibit #15	Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 – a report on internal controls 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.	50
Exhibit #16	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	53
Exhibit #17	Auditee Response/Corrective Action Plan – a response by the Commission on the results of the audit and a corrective action plan for federal audit findings.	55



Department of
Examiners of Public Accounts

SUMMARY

**Elmore County Commission
October 1, 2011 through September 30, 2012**

The Elmore County Commission (the "Commission") is governed by a five-member body elected by the citizens of Elmore County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 13. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Elmore County.

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

An unqualified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2012.

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

An instance of noncompliance with state and local laws and regulations and other matters was found during the audit as shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below.

CURRENT FINDING

- ◆ 2012-001 relates to the Commission's failure to comply with the Public Works Law.

The following officials/employees were invited to an exit conference to discuss the results of the audit: Henry Booker, Former County Administrator; Lynda Feaga, Former County Administrator; and County Commissioners: Joe Faulk, Mark Hragyil, David Bowen, Earl Reeves and Cecil Daugherty. The following individuals attended the exit conference, held at the offices of the County Commission: Grace McDuffie, Current County Administrator; County Commissioners: David Bowen, Stephanie Daniels Smoke, James "Trey" Taylor, and Mark Hragyil and Earl Reeves; and representatives of the Department of Examiners of Public Accounts: Teresa D. Dekle, Audit Manager and Dixie Broadwater, Examiner. The results of the audit were discussed by telephone with Commissioner Joe Faulk.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2012

Ref. No.	Finding/Noncompliance
2012-001	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 39, contains provisions of law pertaining to public works. Public works contracts in excess of \$50,000.00 are required to be awarded by sealed bid. The Commission executed contracts for jail renovations totaling \$375,000.00 without letting bids or otherwise complying with the provisions of the <i>Code of Alabama 1975</i>, Section 39.</p> <p><u>Recommendation:</u> The Commission should comply with all aspects of the public works law as provided by the <i>Code of Alabama 1975</i>, Sections 39-1-1 through 39-8-8.</p>

Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmore County Commission, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the Elmore County Commission as listed in the table of contents as Exhibits 1 through 8. These financial statements are the responsibility of the Elmore 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Elmore County Commission's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmore County Commission, as of September 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2015, on our consideration of the Elmore 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 and 10) and the Schedule of Funding Progress (Exhibit 11) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elmore County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 12) as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

January 5, 2015

This Page Intentionally Blank

Management's Discussion and Analysis
(Required Supplementary Information)

Elmore County Commission
Management's Discussion and Analysis
Fiscal Year October 1, 2011 through September 30, 2012

The Elmore County Commission's discussion and analysis is a narrative overview that is designed to assist the reader in reviewing significant financial issues and activities of the County. The reader should also be able to identify the changes in the County's financial position and analyze the ability of the County to meet future challenges.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the Elmore County Commission for the fiscal year ended September 30, 2012. Please consider the information contained in this MD&A in conjunction with the County's financial statements for the same period. The MD&A is part of the reporting model adopted by the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments* issued June 1999.

Financial Highlights

Elmore County's assets exceeded its liabilities at the close of the fiscal year ended September 30, 2012 by \$31,251,327. The County's total net assets decreased by \$436,943.

- Total expenditures for the current fiscal year exceeded revenues by \$ 436,943.
- The General Fund Balance decreased \$517,017 and is attributable to increased expenses. The fund balance retained is the equivalent of 56.48% of the annual general fund revenues. Since the County receives the majority of its property tax revenue in December, this cushion assures that the County has funds to operate through the collection period.
- Overall fund balance increased \$233,971. Unrestricted net assets decreased from \$9,460,930 to \$8,883,220 or a decrease of 6%. The County maintains a sufficient cushion to ensure excellent borrowing capability should the need arise. Restricted fund balances represent amounts legally restricted for specific purposes and therefore are not available for the general purposes of the County. Restricted net asset balances increased \$750,989; {\$2,210,654 (FY 2011); \$2,961,644 (FY 2012)}.

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are made up of the following components:

- Government-wide financial statements
- Fund financial statements
- Fiduciary funds statements
- Notes to the financial statements

This report also contains additional information that is relevant to the County's financial position.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the County's finances, in a manner similar to those used by the private-sector businesses. The statement of net assets includes all of the County's assets and liabilities. Current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term debt. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. To properly evaluate the overall health of the County you may need to consider other non-financial factors such as changes in the County's property tax base and the condition of the County's infrastructure, buildings and other facilities.

The statement of activities presents information focused on both gross and net costs and shows how the County's net assets changed during the current fiscal year. This statement is intended to summarize and simplify the reader's analysis of cost of various governmental services and/or subsidy to various business-type activities. The governmental activities include most of the County's basic services including general government, public safety, highways and roads, sanitation, health and welfare, cultural and recreational, and education. The funding of these activities comes primarily from property taxes, charges for services, state share revenues (i.e. gasoline taxes) and other miscellaneous revenues.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements more familiar. Fund financial statements provide more detailed information about the County's funds, focusing on its Major funds rather than the County as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Elmore County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types used to keep track of specific sources of funding and spending on particular County programs. Elmore County does not have any proprietary funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. In doing so readers may better understand the long-term impact of the County's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to aide in this comparison between governmental funds and governmental activities.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are included in governmental funds. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows and balances of spendable resources. The governmental fund statements provide a detailed short-term view of the County's operations and the basic services it provides. Governmental funds statements assist the reader in determining the short-term financial resources available to finance future programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in Exhibits 4 and 6 to reconcile the differences between them.

Elmore County maintains many funds that are governmental funds. Separate information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Reappraisal Funds. These funds are deemed to be major funds. Data from the remaining funds are combined into a single aggregated presentation.

Fiduciary Funds Statements

Fiduciary funds are funds in which the County is the trustee, or fiduciary, of assets that belong to others. The County is responsible for ensuring that these assets are used only for their intended purposes and are reported and presented correctly in these funds. All the County's fiduciary activities are reported in a separate statement of fiduciary net assets (Exhibits 7 and 8). The activities of these funds are excluded from the government-wide financial statements because their assets are not available for use by the County to finance its operations.

Notes to the Financial Statements

Notes to the financial statements, provided in this report, offer additional essential information to achieve a full understanding of the data provided in the government-wide and fund financial statements. The notes follow the exhibits contained in this report.

Required Supplementary Information

Required supplementary information is expressed in Exhibits 9 and 10 which are Budget to Actual comparisons of the governmental major funds of the County. Elmore County adopts an annual appropriated budget for its General and Reappraisal Funds. The comparison schedules are presented to demonstrate compliance with the fund budgets. Exhibit 11 is the Schedule of Funding Progress related to the actuarial report provided by the Retirement Systems of Alabama.

Additional Information

With the implementation of Government Accounting Standards Board (GASB) Statement 34, the County now reports and depreciates general capital assets. The County has elected to depreciate these assets over their estimated useful life using the straight-line method of depreciation. The infrastructure portion related to general governmental activities as stated in GASB Statement 34 requires that these assets (infrastructure-roads and bridges) be valued and reported within the Governmental column of the Government-wide Statement. All infrastructure assets have been added retroactively to the County's general capital assets in compliance with GASB 34.

Government-Wide Financial Analysis

The County’s net assets decreased by \$436,943 during the current fiscal year. Management monitors net assets because the variance is a useful indicator of the County's financial position. Elmore County's total assets exceeded total liabilities by \$31,251,327 as of the fiscal year ending September 30, 2012. This decrease was related largely to rising prices of goods and services, causing expenses to grow faster than revenues, which is indicative of the general economy.

The following table shows the condensed Statement of Net Assets.

	Governmental Activities 2012	Governmental Activities 2011
<u>Assets and Liabilities</u>		
Current Assets	\$ 20,961,668.19	\$ 21,221,759.07
Capital Assets, Net	20,892,214.51	21,288,855.91
Total Assets	41,853,882.70	42,510,614.98
Current Liabilities	8,971,817.49	9,402,223.95
Long-term Liabilities	1,630,737.58	1,420,120.37
Total Liabilities	10,602,555.07	10,822,344.32
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	19,406,462.85	20,016,685.68
Restricted	2,961,644.03	2,210,654.89
Unrestricted	8,883,220.75	9,460,930.09
Total Net Assets	\$ 31,251,327.63	\$ 31,688,270.66

The largest portion of Elmore County's net assets (62%) are in its capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. The County uses these capital assets to provide services to citizens. While the County's capital assets are 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 pay for or liquidate these liabilities. The remaining balance of unrestricted net assets in the amount of \$8,883,220 may be used to meet the government's ongoing obligations to citizens and creditors, and \$2,961,644 of restricted assets may be used to meet specific obligations to citizens and creditors.

Statement of Activities

The following schedule compares the revenues and expenses for FY 2012 and 2011, respectively. Government activities decreased the County's net assets by \$436,943. This is due to the general state of the economy, rising prices and the devaluation of property values.

	Governmental Activities 2012	Governmental Activities 2011
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 3,334,556.16	\$ 2,792,159.71
Operating Grants & Contributions	5,475,125.76	4,353,718.08
Capital Grants & Contributions	1,038,745.52	1,132,117.59
<u>General Revenues</u>		
Property Taxes for General Purposes	4,070,340.36	4,387,735.76
Property Taxes for Specific Purposes	2,870,774.17	3,164,950.00
General Sales Tax	1,024,002.00	1,232,531.53
Special Sales Tax	831,150.85	142,618.07
Miscellaneous Taxes	985,019.42	449,532.04
Grants and Contributions Not Restricted for Specific Programs	664,029.22	837,843.44
Investment Earnings	144,709.54	107,218.82
Miscellaneous	754,789.44	2,121,387.67
Total Revenues	21,193,242.44	20,952,681.12
Expenses		
<u>Program Activities</u>		
General Government	5,848,306.44	5,693,154.43
Public Safety	8,242,847.63	7,281,292.59
Highways and Roads	6,882,818.88	8,430,588.83
Sanitation	373,483.50	43,065.75
Health	113,868.12	116,963.57
Welfare	33,157.17	30,598.16
Culture and Recreation	30,196.12	43,454.80
Education	71,982.45	60,684.63
Interest and Fiscal Charges	33,525.16	48,883.87
Total Expenditures	21,630,185.47	21,748,686.63
Increase(Decrease) in Net Assets	(436,943.03)	(796,005.51)
Net Assets - Beginning	31,688,270.66	32,484,276.17
Net Assets - Ending	\$ 31,251,327.63	\$ 31,688,270.66

In fiscal year 2012 expenses for all services of the County were \$21,630,185. Of this amount 27% was spent for general government, 38% for public safety, 32% for highways and roads, 3% on the remaining categories listed above.

Net Cost of Services

The net cost of services is a comparison of the total cost for government functions and programs and the net cost remaining after reducing that total by the revenue generated from the specific function or program. For the current year, the total cost of governmental services was \$21,630,185 and the combined charges for services plus operating and capital grants received were \$9,848,427 leaving a net cost to the County of \$11,781,758

Charges for services amounted to \$3,334,556 and combined grants and contributions totaled \$6,513,871. The charges for services are payments made by those that received the services while grants and contributions are monies that were received from other governments and organizations that subsidized the functions or programs.

Function/Programs	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 5,848,306.44	\$ 2,680,463.33	\$ 5,693,154.43	\$ 3,114,973.68
Public Safety	8,242,847.63	6,256,850.70	7,281,292.59	6,120,519.43
Highways and Roads	6,882,818.88	2,599,974.26	8,430,588.83	3,897,223.94
Sanitation	373,483.50	32,126.02	43,065.75	43,065.75
Health	113,868.12	113,868.12	116,963.57	111,286.99
Welfare	33,157.17	8,474.55	30,598.16	30,598.16
Culture and Recreation	30,196.12	(15,506.56)	43,454.80	43,454.80
Education	71,982.45	71,982.45	60,684.63	60,684.63
Interest	33,525.16	33,525.16	48,883.87	48,883.87
Total Governmental	\$ 21,630,185.47	\$ 11,781,758.03	\$ 21,748,686.63	\$ 13,470,691.25

Financial Analysis of Funds

The financial performance of the County as a whole is reflected in its governmental funds. The total governmental funds balances at the end of the fiscal year increased from \$12,020,540 to \$12,254,511. This increase of \$233,971 was due to decreased expenditures.

For Elmore County, a target fund balance for most operational funds is a floor (absolute minimum) of fifteen percent, 15%, of annual expenditures to a preferred target of thirty percent, 30%, of annual expenditures. This is a very acceptable range due to the county’s dependability on property taxes, normally a reliable and predictable revenue source.

The following table provides a summary of the changes in fund balances of the County's major funds as well as the combined Other Governmental Funds (After Budget to GAAP adjustments):

Fund	Beginning Fund Balance	Net Increase or (Decrease)	Ending Fund Balance
General Fund	\$ 9,809,885.33	\$(517,017.41)	\$ 9,292,867.92
Reappraisal Fund*			
Other Governmental Funds	2,210,654.89	750,989.14	2,961,644.03
Totals	<u>\$12,020,540.22</u>	<u>\$ 233,971.73</u>	<u>\$12,254,511.95</u>

*The Reappraisal Fund does not carry a fund balance unless specific approval is given from the state to accumulate funds for a specific project. Any unexpended funds are returned and re-appropriated.

The General Fund met or exceeded the minimum target. The Reappraisal does not generally accumulate fund balance and therefore should not be included in the target percentage.

The overall Governmental fund balances are at 57% of annual expenditures providing the county with reserves and some flexibility in addressing certain capital needs. In addition the budget cushion gives the County an excellent credit rating if the need for financing arises.

Budgetary Highlights - Major Funds

General Fund

Exhibit 9 shows changes made in the original general fund budgets for fiscal year ended September 30, 2012. Budgeted revenues increased by \$168,004 and expenditures increased by \$629,423. Actual revenues were \$632,727 lower than the final budgeted revenues and actual expenditures were \$2,787,888 lower than final budgeted amounts. The net change in the general fund balance on a budgetary basis for the current fiscal year was a \$733,958 decrease. After audit Budget to GAAP adjustments the change was a \$517,017 decrease.

Reappraisal Fund

Exhibit 10 shows that original to final budgeted revenues and expenses were the same. The total revenues and total expenditures ended at \$885,686 respectively for a zero fund balance.

Actual expenses and revenues were the \$309,549 less than final budgeted expenses and revenues.

Capital Assets

Capital Assets – Depreciation of assets other than land and construction in progress projects is recorded on an annual basis using the straight-line method of depreciation.

The following table shows a reconciliation of capital assets for the year ended September 30, 2012.

	Balance 10/01/2011	Additions	Deletions	Balance 9/30/2012
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 542,791.60	\$	\$	\$ 542,791.60
Construction in Progress	29,909.44		(29,909.44)	
Total Capital Assets, Not Being Depreciated	572,701.04		(29,909.44)	542,791.60
Capital Assets Being Depreciated:				
Bridges	7,647,885.28			7,647,885.28
Roads	27,401,522.50			27,401,522.50
Buildings and Improvements	8,826,748.69	375,000.00		9,201,748.69
Equipment and Furniture	7,613,341.42	670,607.20	(305,108.89)	7,978,839.73
Assets Under Capital Lease	28,384.76			28,384.76
Total Capital Assets Being Depreciated	51,517,882.65	1,045,607.20	(305,108.89)	52,258,380.96
Less Accumulated Depreciation for:				
Bridges	(2,596,041.65)	(191,197.16)		(2,787,238.81)
Roads	(20,510,353.12)	(292,187.67)		(20,802,540.79)
Buildings and Improvements	(3,330,291.58)	(209,825.95)		(3,540,117.53)
Equipment and Furniture	(4,356,526.00)	(676,050.29)	267,707.75	(4,764,868.54)
Assets Under Capital Lease	(8,515.43)	(5,676.95)		(14,192.38)
Total Accumulated Depreciation	(30,801,727.78)	(1,374,938.02)	267,707.75	(31,908,958.05)
Total Capital Assets Being Depreciated, Net	20,716,154.87	(329,330.82)	(37,401.14)	20,349,422.91
Total Governmental Activities Capital Assets,	\$ 21,288,855.91	\$ (329,330.82)	\$ (67,310.58)	\$ 20,892,214.51

Debt Outstanding

Long-Term Debt

On April 19, 2012, the Commission entered into a notes payable agreement for \$400,000 at 2.5% interest to finance the purchase jail locks, control boards and speaker system at the Elmore County Jail. The payments for these notes payable are made from the Special Sales Tax Fund (Unreserved).

On March 4, 2011, the Commission entered into a notes payable agreement for \$956,788 at 2.41% interest rate to purchase four motor graders and for \$372,372 at 2.28% for the purchase of three Max Tri-axle trucks for the Road Department. The payments for these notes payable are made from the Gasoline Tax Fund.

On February 22, 2010, the Commission entered in to a capital lease agreement for \$28,384 at 7.37% interest to purchase a plotter for the Road Department. The payments for the capital lease are made from the Gasoline Tax Fund.

The following is a summary of general long-term debt transactions for the Commission for the year ended September 30, 2012:

	Debt		Debt		Amounts
	Outstanding	Issued/	Repaid/	Outstanding	Due w ithin
	10/1/2011	Increased	Decreased	9/30/2012	One Year
<u>Governmental Activities:</u>					
Notes Payable	\$ 1,251,235.00	\$ 400,000.00	\$ (180,476.74)	\$ 1,470,758.26	\$ 215,853.63
Other Liabilities:					
Capital Lease Contracts Payable	20,935.23		(5,941.83)	14,993.40	5,893.75
Compensated Absences	346,683.62	60,797.83		407,481.45	40,748.15
Total Other Liabilities	367,618.85	60,797.83	(5,941.83)	422,474.85	46,641.90
Total Governmental Activities					
Long-Term Liabilities	\$ 1,618,853.85	\$ 460,797.83	\$ (186,418.57)	\$ 1,893,233.11	\$ 262,495.53

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 51% has been paid by the General Fund, 46% by the Gasoline Tax Fund and 3% by the Reappraisal Fund.

Economic Factors

Elmore County's single largest source of revenue is property tax, over the past several years the property values (and an accompanying decrease in billed property taxes) have steadily decreased. This decrease in revenues has impacted Elmore County to the point where operating levels required by our growing county have been met by using sources of revenue which have traditionally been added to the fund balance annually.

Initial indications for FY 2013 are that while the economy slowly begins to recover, property values will remain lower than expected. Thus, causing anticipated tax receipts to remain sluggish and in line with receipts for 2010.

While the rate of devaluation has decreased and even shown signs of leveling out, property values remain at the 2010 levels. New housing and commercial construction continue to experience the effects of the recession. Conventional wisdom is that the rates of new construction may not match previous rates for the remainder of this decade.

Financial Information Contact

The County's financial statements are designed to provide our citizens, taxpayers, customers, creditors and readers with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions about the report or need additional financial information, contact the County Administrator at 100 E. Commerce Street, Room 207B, Wetumpka, Alabama 36092, (334) 512-0600. The office is located on the second floor of the historic courthouse in downtown Wetumpka.

Basic Financial Statements

This Page Intentionally Blank

Statement of Net Assets
September 30, 2012

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 7,590,488.86
Investments	5,078,604.43
Receivables (Note 4)	1,196,581.82
Ad Valorem Taxes Receivable, Net	7,093,589.81
Prepaid Items	2,403.27
Capital Assets (Note 5):	
Nondepreciable	542,791.60
Depreciable, Net	20,349,422.91
Total Assets	<u>41,853,882.70</u>
<u>Liabilities</u>	
Payables (Note 8)	650,163.30
Deferred Revenue	7,854,564.53
Accrued Wages Payable	202,428.41
Accrued Interest Payable	2,165.72
Long-Term Liabilities:	
Portions Due Within One Year:	
Notes Payable	215,853.63
Capital Lease Contracts Payable	5,893.75
Compensated Absences	40,748.15
Long-Term Liabilities:	
Portions Due and Payable After One Year:	
Notes Payable	1,254,904.63
Capital Lease Contracts Payable	9,099.65
Compensated Absences	366,733.30
Total Liabilities	<u>10,602,555.07</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	19,406,462.85
Restricted for:	
Road Projects	1,883,278.05
Improvements	674,647.92
Other Purposes	403,718.06
Unrestricted	<u>8,883,220.75</u>
Total Net Assets	<u>\$ 31,251,327.63</u>

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

Statement of Activities
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General Government	\$ 5,848,306.44	\$ 2,189,851.54	\$ 280,603.53
Public Safety	8,242,847.63	323,977.46	1,662,019.47
Highways and Roads	6,882,818.88	820,727.16	3,462,117.46
Sanitation	373,483.50		
Health	113,868.12		
Welfare	33,157.17		24,682.62
Culture and Recreation	30,196.12		45,702.68
Education	71,982.45		
Interest and Fiscal Charges	33,525.16		
Total Governmental Activities	<u>\$ 21,630,185.47</u>	<u>\$ 3,334,556.16</u>	<u>\$ 5,475,125.76</u>

General Revenues

Taxes:
Property Taxes for General Purposes
Property Taxes for Specific Purposes
General Sales Tax
Special Sales Tax
Miscellaneous Taxes
Grants and Contributions Not Restricted
for Specific Programs
Investment Earnings
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

		Net (Expenses) Revenues and Changes in Net Assets	
Capital Grants and Contributions		Total Governmental Activities	
\$	697,388.04	\$	(2,680,463.33)
			(6,256,850.70)
			(2,599,974.26)
	341,357.48		(32,126.02)
			(113,868.12)
			(8,474.55)
			15,506.56
			(71,982.45)
			(33,525.16)
<u>\$</u>	<u>1,038,745.52</u>		<u>(11,781,758.03)</u>

4,070,340.36
2,870,774.17
1,024,002.00
831,150.85
985,019.42
664,029.22
144,709.54
754,789.44
<u>11,344,815.00</u>
(436,943.03)
<u>31,688,270.66</u>
<u>\$ 31,251,327.63</u>

Balance Sheet
Governmental Funds
September 30, 2012

	General Fund	Reappraisal Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 4,856,022.16	\$ 534,425.15
Investments	4,503,604.43	
Receivables (Note 4)	930,293.39	95.83
Ad Valorem Taxes Receivable	6,152,880.43	940,709.38
Interfund Receivables	67,873.12	
Prepaid Items	2,403.27	
Total Assets	<u>16,513,076.80</u>	<u>1,475,230.36</u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 8)	628,893.35	1,903.53
Interfund Payables	8,292.44	
Deferred Revenue	6,393,143.72	1,461,420.81
Accrued Wages and Benefits Payable	189,879.37	11,906.02
Total Liabilities	<u>7,220,208.88</u>	<u>1,475,230.36</u>
<u>Fund Balances</u> (Note 15)		
Nonspendable	2,403.27	
Restricted		
Unassigned	9,290,464.65	
Total Fund Balances	<u>9,292,867.92</u>	
Total Liabilities and Fund Balances	<u>\$ 16,513,076.80</u>	<u>\$ 1,475,230.36</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 2,200,041.55	\$ 7,590,488.86
575,000.00	5,078,604.43
266,192.60	1,196,581.82
	7,093,589.81
8,292.44	76,165.56
	2,403.27
<u>3,049,526.59</u>	<u>21,037,833.75</u>

19,366.42	650,163.30
67,873.12	76,165.56
	7,854,564.53
643.02	202,428.41
<u>87,882.56</u>	<u>8,783,321.80</u>

	2,403.27
2,961,644.03	2,961,644.03
	9,290,464.65
<u>2,961,644.03</u>	<u>12,254,511.95</u>
<u>\$ 3,049,526.59</u>	<u>\$ 21,037,833.75</u>

This Page Intentionally Blank

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2012***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 12,254,511.95

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 (Note 5). 20,892,214.51

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:

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Notes Payable	\$ 215,853.63	\$ 1,254,904.63	
Capital Lease Contracts Payable	5,893.75	9,099.65	
Liability for Compensated Absences	40,748.15	366,733.30	
Total Long-Term Liabilities	<u>\$ 262,495.53</u>	<u>\$ 1,630,737.58</u>	(1,893,233.11)

Interest on long-term debt is not accrued in the governmental funds but rather is
recognized as an expenditure when due. (2,165.72)

Total Net Assets Governmental Activities (Exhibit 1) \$ 31,251,327.63

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, 2012

	General Fund	Reappraisal Fund
<u>Revenues</u>		
Taxes	\$ 8,789,330.22	\$ 878,488.99
Licenses and Permits	94,531.29	
Intergovernmental	3,721,101.41	
Charges for Services	2,169,260.85	
Fines and Forfeitures	5,095.73	
Miscellaneous	1,673,406.13	7,197.98
Total Revenues	<u>16,452,725.63</u>	<u>885,686.97</u>
<u>Expenditures</u>		
Current:		
General Government	4,385,507.20	885,686.97
Public Safety	7,173,672.70	
Highways and Roads	4,647,525.48	
Sanitation		
Health	113,868.12	
Welfare	33,157.17	
Culture and Recreation	21,170.34	
Education	71,982.45	
Capital Outlay	1,011,039.20	
Debt Service:		
Principal Retirement	186,418.57	
Interest on Fiscal Charges	33,631.06	
Total Expenditures	<u>17,677,972.29</u>	<u>885,686.97</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,225,246.66)</u>	
<u>Other Financing Sources (Uses)</u>		
Transfers In	278,525.00	
Sale of Capital Assets	69,704.25	
Debt Issued	400,000.00	
Transfers Out	(40,000.00)	
Total Other Financing Sources (Uses)	<u>708,229.25</u>	
Net Changes in Fund Balances	(517,017.41)	
Fund Balances - Beginning of Year	<u>9,809,885.33</u>	
Fund Balances - End of Year	<u>\$ 9,292,867.92 \$</u>	

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

Other Governmental Funds	Total Governmental Funds
\$ 113,467.59	\$ 9,781,286.80
2,097.00	96,628.29
3,503,530.28	7,224,631.69
191,793.93	2,361,054.78
	5,095.73
15,297.37	1,695,901.48
<u>3,826,186.17</u>	<u>21,164,598.77</u>
298,173.50	5,569,367.67
774,756.19	7,948,428.89
1,381,940.84	6,029,466.32
373,483.50	373,483.50
	113,868.12
	33,157.17
	21,170.34
	71,982.45
8,318.00	1,019,357.20
	186,418.57
	33,631.06
<u>2,836,672.03</u>	<u>21,400,331.29</u>
<u>989,514.14</u>	<u>(235,732.52)</u>
52,362.00	330,887.00
	69,704.25
	400,000.00
(290,887.00)	(330,887.00)
<u>(238,525.00)</u>	<u>469,704.25</u>
750,989.14	233,971.73
<u>2,210,654.89</u>	<u>12,020,540.22</u>
<u>\$ 2,961,644.03</u>	<u>\$ 12,254,511.95</u>

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, 2012

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 233,971.73

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

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

Depreciation	\$ 1,374,938.02	
Capital Outlay	<u>1,019,357.20</u>	(355,580.82)

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

Sale of Capital Assets	\$ 69,704.25	
Gain/(Loss) on Disposition of Capital Assets	<u>2,393.67</u>	(67,310.58)

The issuance of debt is reported as other financing sources in governmental funds and thus contributes to the change in fund balance. However, in the Statement of Net Assets, issuing debt increases long-term liabilities and does not affect the Statement of Activities. (400,000.00)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 186,418.57

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

Net Increase in Estimated Liability for Compensated Absences	\$ (60,797.83)	
Net Decrease in Accrued Interest Payable	<u>105.90</u>	(60,691.93)
Net Adjustment		

In the Statement of Activities, the donation of capital assets is recorded as revenue whereas in the governmental funds, it is not recorded. 26,250.00

Change in Net Assets of Governmental Activities (Exhibit 2) \$ (436,943.03)

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

Statement of Fiduciary Net Assets
September 30, 2012

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,054,239.05	\$ 157,303.73
Total Assets	<u>1,054,239.05</u>	<u>157,303.73</u>
<u>Liabilities</u>		
Payables (Note 8)	1,693.98	157,303.73
Total Liabilities	<u>1,693.98</u>	<u>\$ 157,303.73</u>
<u>Net Assets</u>		
Held in Trust for Individuals, Organizations and Other Governments	<u>\$ 1,052,545.07</u>	

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

***Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2012***

	Private-Purpose Trust Funds
<u>Additions</u>	
Excess from Land Sales	\$ 1,433,086.59
Fiduciary	4,873.95
Amounts Received from Inmates	366,672.70
Total Additions	<u>1,804,633.24</u>
<u>Deductions</u>	
Payments to Beneficiaries	1,312,789.59
Amounts Paid on Behalf of Inmates	356,176.56
Total Deductions	<u>1,668,966.15</u>
Changes in Net Assets	135,667.09
Net Assets - Beginning of the Year	<u>916,877.98</u>
Net Assets - End of Year	<u><u>\$ 1,052,545.07</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, 2012

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Elmore 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 Elmore County Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2012

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. 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 receives revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditure of 7-cent State gasoline tax revenues for the construction, improvement, maintenance and supervision of highways, bridges and streets, and for the retirement of debt when gasoline tax revenues have been pledged.
- ◆ **Reappraisal Fund** – This fund is used to account for property taxes and other revenues required to be expended for the costs of the property reappraisal program.

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

Governmental Fund Type

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

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.

Notes to the Financial Statements

For the Year Ended September 30, 2012

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

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, except certificates of deposit, which are recorded at cost.

2. Receivables

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

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

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Capital Assets

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

Notes to the Financial Statements
For the Year Ended September 30, 2012

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
Buildings and Improvements	\$ 5,000	40 Years
Equipment and Furniture	\$ 5,000	5 – 10 Years
Equipment Under Capital Lease	\$ 5,000	5 – 10 Years
Roads	\$250,000	20 Years
Bridges	\$ 50,000	40 Years

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

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

Notes to the Financial Statements
For the Year Ended September 30, 2012

6. Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave.

Annual Leave

All unclassified and full-time classified employees will earn vacation leave with pay in accordance with these guidelines. Leave year: the vacation leave year will run from January 1 through December 31 of each year. Accrual of vacation leave: all eligible employees will earn vacation leave according to the schedule below:

Continuous Years of Service Completed	Per Pay Period
0-1 Year	1.53 Hours
Over One Year to Ten Years	3.07 Hours
Over Ten Years to Twenty Years	4.62 Hours
Over Twenty Years	6.16 Hours

Proration of vacation leave credit will be accrued each pay period by an eligible employee in which he/she is eligible to earn vacation leave. Use of vacation leave: vacation leave is considered to be a benefit to an employee and he/she is expected to take the earned leave each year. However, an employee may carry over a total of no more than one hundred twenty (120) hours of vacation leave. Any hours over this total shall be forfeited by the employee at the close of the leave year unless unusual circumstances prevent the employee from taking leave. In such incidences, approval can be given by the Commission to carry over more than 120 hours. The use of vacation leave will be approved at the discretion of the employee's appointing authority, in accordance with guidelines to be established by the appointing authority. Vacation leave will be approved in advance of each absence, except in unusual circumstances. Failure to comply with this requirement may result in an absence being treated as unauthorized leave. Probationary employees shall accrue vacation leave; however, they shall not be authorized to use vacation leave until they have successfully completed the probationary period. Vacation leave will not be advanced to any employee. Upon separation from county service, an individual will be paid for any accrued vacation leave. Probationary employees that are terminated during the probationary period shall not be paid for accrued vacation leave.

Employees resigning voluntarily or retiring and who give reasonable notice of their intention to resign will receive any annual leave credit earned as of the date of resignation. All earned annual leave of the employees who die while employed shall be paid in cash to the spouse or estate of said employee.

Permanent part-time or temporary part-time employees shall not receive annual leave.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Sick Leave

Sick leave is a benefit provided unclassified and full-time classified employees. It is provided to ensure that eligible employees who are unable to work due to illness or injury do not feel compelled to do so for financial reasons. Accrual of sick leave: unclassified and full-time classified employees will earn sick leave credit at the rate of 3.7 hours per pay period for a total of ninety-six (96) hours of sick leave per year. However, employees will not be authorized to use any sick leave until they have successfully completed the probationary period. Eligible employees may not accrue more than 1200 hours sick leave credit. A probationary employee will accrue sick leave credits but shall not be authorized to use them until he/she has completed the probationary period. Separation: no employee will be paid for unused sick leave when he/she separates from county service. However, employees that retire from county service may transfer accrued, unused sick leave to retirement credit.

Upon separation from county service, all sick leave is cancelled and is not transferable to annual leave. Since sick pay is not payable upon separation, no liability is accrued on the financial statements.

Compensatory Leave

All full-time hourly classified and probationary employees shall be eligible to earn compensatory time for hours work in excess of 40 (86 bi-weekly for law enforcement and corrections) hours per week. Employees that are compensated on a salary basis are not eligible for compensatory time. Compensatory time will be calculated on a time and one-half basis for hours actually worked over 40 (86 bi-weekly for law enforcement and corrections) per week. Work must be performed at the employee's regular work station as evidenced by clocking in and clocking out to qualify for compensatory time. Work performed at home will not be considered in calculation of compensatory time.

7. Net Assets/Fund Equity

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2012

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

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

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission delegated the Commission Chairman or County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available for multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

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

Note 3 – Deposits and Investments

Deposits

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

Notes to the Financial Statements
For the Year Ended September 30, 2012

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.

Note 4 – Receivables

On September 30, 2012, receivables for the Commission’s individual major funds and other governmental funds in the aggregate, are as follows:

Governmental Activities	General Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Accounts Receivable	\$224,324.68	\$95.83	\$	\$ 224,420.51
Due from External Agencies	2,891.21			2,891.21
Intergovernmental	624,660.35		257,362.92	882,023.27
Sales Tax	77,846.98		8,649.67	86,496.65
Interest	570.17		180.01	750.18
Total Receivables – Governmental Activities	\$930,293.39	\$95.83	\$266,192.60	\$1,196,581.82

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, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Ad Valorem Property Taxes	\$7,002,883.29	\$330,969.82
Unearned Appropriations		520,711.43
Total Deferred/Unearned Revenue for Governmental Funds	\$7,002,883.29	\$851,681.25

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance 10/01/2011	Additions	Deletions (*)	Balance 09/30/2012
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 542,791.60	\$	\$	\$ 542,791.60
Construction in Progress	29,909.44		(29,909.44)	
Total Capital Assets, Not Being Depreciated	<u>572,701.04</u>		<u>(29,909.44)</u>	<u>542,791.60</u>
Capital Assets Being Depreciated:				
Bridges	7,647,885.28			7,647,885.28
Roads	27,401,522.50			27,401,522.50
Buildings and Improvements	8,826,748.69	375,000.00		9,201,748.69
Equipment and Furniture	7,613,341.42	670,607.20	(305,108.89)	7,978,839.73
Assets Under Capital Lease	28,384.76			28,384.76
Total Capital Assets Being Depreciated	<u>51,517,882.65</u>	<u>1,045,607.20</u>	<u>(305,108.89)</u>	<u>52,258,380.96</u>
Less Accumulated Depreciation for:				
Bridges	(2,596,041.65)	(191,197.16)		(2,787,238.81)
Roads	(20,510,353.12)	(292,187.67)		(20,802,540.79)
Buildings and Improvements	(3,330,291.58)	(209,825.95)		(3,540,117.53)
Equipment and Furniture	(4,356,526.00)	(676,050.29)	267,707.75	(4,764,868.54)
Assets Under Capital Lease	(8,515.43)	(5,676.95)		(14,192.38)
Total Accumulated Depreciation	<u>(30,801,727.78)</u>	<u>(1,374,938.02)</u>	<u>267,707.75</u>	<u>(31,908,958.05)</u>
Total Capital Assets Being Depreciated, Net	<u>20,716,154.87</u>	<u>(329,330.82)</u>	<u>(37,401.14)</u>	<u>20,349,422.91</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 21,288,855.91</u>	<u>\$ (329,330.82)</u>	<u>\$ (67,310.58)</u>	<u>\$ 20,892,214.51</u>
(*) The Commission removed \$29,909.44 in Construction in Progress related to an error made in prior years.				

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 218,140.94
Public Safety	294,418.74
Highways and Roads	853,352.56
Culture and Recreation	9,025.78
Total Depreciation Expense – Governmental Activities	<u>\$1,374,938.02</u>

Notes to the Financial Statements

For the Year Ended September 30, 2012

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. Retirees may also elect to receive a reduced retirement allowance (Special Privileges at Retirement) in order to provide an allowance to a designated beneficiary after the member's death. 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, 201 South Union Street, Montgomery, Alabama 36130-2150.

Notes to the Financial Statements
For the Year Ended September 30, 2012

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, 2012 was 6.78 percent based on the actuarial valuation performed as of September 30, 2009.

C. Annual Pension Cost

For the year ended September 30, 2012, the Commission's annual pension cost of \$421,632 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, 2012, 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 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3.0 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, 2012 was 18 years.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2012	\$421,632	100%	\$0
09/30/2011	\$483,716	100%	\$0
09/30/2010	\$379,552	100%	\$0

Notes to the Financial Statements

For the Year Ended September 30, 2012

D. Funded Status and Funding Progress

As of September 30, 2012, the most recent actuarial valuation date, the plan was 81.9 percent funded. The actuarial accrued liability for benefits was \$14,721,828 and the actuarial value of assets was \$12,061,614, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,660,214. The covered payroll (annual payroll of active employees covered by the plan) was \$6,668,433, and the ratio of the UAAL to the covered payroll was 39.9 percent.

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

Note 7 – 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 Elmore County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2012 amounted to \$88,118.47.

Note 8 – Payables

On September 30, 2012, payables for the Commission's individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

	Vendors	Intergovernmental	External Parties	Total Payables
<u>Governmental Activities:</u>				
General Fund	\$543,815.86	\$ 85,077.49	\$	\$628,893.35
Reappraisal Fund	1,613.52	290.01		1,903.53
Other Governmental Funds	3,119.61	16,246.81		19,366.42
Total Payables – Governmental Activities	<u>548,548.99</u>	<u>101,614.31</u>		<u>650,163.30</u>
<u>Fiduciary Funds:</u>				
Private-Purpose Trust Funds			1,693.98	1,693.98
Agency Funds	156,106.50		1,197.23	157,303.73
Total Payables – Fiduciary Funds	<u>\$156,106.50</u>	<u>\$</u>	<u>\$2,891.21</u>	<u>\$158,997.71</u>

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note 9 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$28,384.76 at September 30, 2012. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately in the notes to the financial statements. 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.

Fiscal Year Ending	Governmental Activities
September 30, 2013	\$ 6,804.60
2014	6,804.87
2015	2,807.96
Total Minimum Lease Payments	16,417.43
Less: Amount Representing Interest	(1,424.03)
Present Value of Net Minimum Lease Payments	\$14,993.40

Note 10 – Long-Term Debt

On April 19, 2012, the Commission entered into a notes payable agreement for \$400,000 at 2.5% interest to finance the purchase jail locks, control boards and speaker system at the Elmore County Jail. The payments for these notes payable are made from the Special Sales Tax Fund.

On March 4, 2011, the Commission entered into a notes payable agreement for \$956,788 at 2.41% interest rate to purchase four motor graders and for \$372,372 at 2.28% for the purchase of three Max Tri-axle trucks for the Road Department. The payments for these notes payable are made from the Gasoline Tax Fund.

On February 22, 2010, the Commission entered in to a capital lease agreement for \$28,384.76 at 7.37% interest to purchase a plotter for the Road Department. The payments for the capital lease are made from the Gasoline Tax Fund.

Notes to the Financial Statements
For the Year Ended September 30, 2012

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2012:

	Debt Outstanding 10/01/2011	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2012	Amounts Due within One Year
Governmental Activities:					
Notes Payable	\$1,251,235.00	\$400,000.00	\$(180,476.74)	\$1,470,758.26	\$215,853.63
Other Liabilities:					
Capital Lease Contracts Payable	20,935.23		(5,941.83)	14,993.40	5,893.75
Compensated Absences	346,683.62	60,797.83		407,481.45	40,748.15
Total Other Liabilities	367,618.85	60,797.83	(5,941.83)	422,474.85	46,641.90
Total Governmental Activities					
Long-Term Liabilities	\$1,618,853.85	\$460,797.83	\$(186,418.57)	\$1,893,233.11	\$262,495.53

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 51% has been paid by the General Fund, 46% by the Gasoline Tax Fund, and 3% by the Reappraisal Fund.

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

Fiscal Year Ending	Governmental Activities				Total Principal and Interest Requirements to Maturity
	Notes Payable		Capital Lease Contracts Payable		
	Principal	Interest	Principal	Interest	
September 30, 2013	\$ 215,853.63	\$ 33,209.61	\$ 5,893.75	\$ 910.85	\$ 255,867.84
2014	221,084.06	27,979.18	6,343.24	461.63	255,868.11
2015	226,441.37	22,621.87	2,756.41	51.55	251,871.20
2016	651,433.19	12,483.46			663,916.65
2017	59,159.48	3,266.68			62,426.16
2018-2019	96,786.53	2,054.74			98,841.27
Totals	\$1,470,758.26	\$101,615.54	\$14,993.40	\$1,424.03	\$1,588,791.23

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 11 – Conduit Debt Obligations

The Commission has issued Limited Obligation School Warrants, Series 2005 to provide financial assistance to the Elmore County Board of Education. These warrants are limited obligations of the Commission and are payable solely from the funding agreement payments made by the Elmore County Board of Education. The warrants do not constitute a debt or pledge of the faith and credit of the Commission and accordingly, have not been reported in the accompanying financial statements. Upon repayment of the warrants, ownership of the acquired property transfers to the Elmore County Board of Education.

As of September 30, 2012, the aggregate principal amount payable for the Limited Obligation School Warrants, Series 2005 was \$20,870,000.00.

Note 12 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$500,000 per claim for a maximum total coverage of \$2,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$100,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the Fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

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

Notes to the Financial Statements
For the Year Ended September 30, 2012

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Note 13 – Interfund Transactions

Interfund Receivables/Payables

Interfund receivables and payables at September 30, 2012, were as follows:

	Interfund Payables		Totals
	General Fund	Other Governmental Funds	
<u>Interfund Receivables:</u>			
General Fund	\$	\$8,292.44	\$ 8,292.44
Other Governmental Funds	67,873.12		67,873.12
Total Governmental Funds	<u>\$67,873.12</u>	<u>\$8,292.44</u>	<u>\$76,165.56</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2012, were as follows:

	Transfers In		Totals
	General Fund	Other Governmental Funds	
<u>Transfers Out:</u>			
<u>Governmental Funds:</u>			
General Fund	\$	\$40,000.00	\$ 40,000.00
Other Governmental Funds	278,525.00	12,362.00	290,887.00
Totals	<u>\$278,525.00</u>	<u>\$52,362.00</u>	<u>\$330,887.00</u>

The Commission typically used transfers to fund ongoing operating subsidies.

Notes to the Financial Statements

For the Year Ended September 30, 2012

Note 14 – Related Organizations

The Elmore County Commission appoints a majority of the members of the board to the following agencies: Central Elmore Water and Sewer Authority, E-911 Board, Elmore Water Authority, Elmore Community Hospital, The Ridge Improvement District, and the Elmore County Department of Human Resources. The Commission, however, is not financially accountable for these organizations because it does not impose its will and does not have a financial benefit or burden relationship with the organizations. These organizations are not considered part of the Commission's financial reporting entity. These organizations are considered related organizations of the County Commission.

Note 15 – Aggregated Fund Balance and Classification

The components of nonspendable, restricted, committed, and assigned fund balances aggregated on the face of the financial statements are as follows:

	General Fund	Reappraisal Fund	Other Governmental Funds	Totals
Fund Balances:				
<u>Nonspendable:</u>				
Prepaid Items	\$ 2,403.27	\$	\$	\$ 2,403.27
Total Nonspendable	2,403.27			2,403.27
<u>Restricted for:</u>				
Highways, Roads, and Bridges			1,883,278.05	1,883,278.05
Improvements			674,647.92	674,647.92
Local Officials			290,693.69	290,693.69
Other Purposes			113,024.37	113,024.37
Total Restricted			2,961,644.03	2,961,644.03
Unassigned	9,290,464.65			9,290,464.65
Total Fund Balances	<u>\$9,292,867.92</u>	<u>\$</u>	<u>\$2,961,644.03</u>	<u>\$12,254,511.95</u>

Note 16 – Subsequent Events

On April 10, 2013, the Commission issued up to \$10,000,000.00 in General Obligation Warrants, Series 2013 to be used for capital improvements.

This Page Intentionally Blank

Required Supplementary Information

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2012***

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis
Revenues			
Taxes	\$ 6,697,700.00	\$ 6,697,700.00	\$ 6,525,359.19
Licenses and Permits	98,950.00	98,950.00	94,531.29
Intergovernmental	1,605,628.00	1,768,632.00	1,380,412.03
Charges for Services	2,281,033.00	2,281,033.00	2,131,091.91
Fines and Forfeitures	6,000.00	6,000.00	5,095.73
Miscellaneous	521,635.00	526,635.00	609,732.93
Total Revenues	11,210,946.00	11,378,950.00	10,746,223.08
Expenditures			
Current:			
General Government	5,931,793.00	6,098,197.00	4,057,375.85
Public Safety	7,185,034.00	7,288,161.55	6,931,275.86
Highways and Roads			(537,387.23)
Sanitation			
Health	120,579.00	120,579.00	113,868.12
Welfare	40,255.00	40,255.00	33,157.17
Culture and Recreation	53,916.00	49,332.00	21,170.34
Education	92,000.00	92,000.00	71,982.45
Capital Outlay	631,634.00	996,110.00	1,011,039.20
Debt Service:			
Principal Retirement	22,045.00	22,045.00	186,418.57
Interest on Fiscal Charges	3,740.00	3,740.00	33,631.06
Total Expenditures	14,080,996.00	14,710,419.55	11,922,531.39
Excess (Deficiency) of Revenues Over Expenditures	(2,870,050.00)	(3,331,469.55)	(1,176,308.31)
Other Financing Sources (Uses)			
Transfers In	1,075,246.00	625,246.00	78,025.00
Sale of Capital Assets	5,000.00	5,000.00	4,325.25
Debt Issued	400,000.00	400,000.00	400,000.00
Transfers Out	(975,526.00)	(1,465,526.00)	(40,000.00)
Total Other Financing Sources (Uses)	504,720.00	(435,280.00)	442,350.25
Net Change in Fund Balances	(2,365,330.00)	(3,766,749.55)	(733,958.06)
Fund Balances - Beginning of Year	5,438,361.06	5,438,361.06	5,438,361.78
Fund Balances - End of Year	\$ 3,073,031.06	\$ 1,671,611.51	\$ 4,704,403.72

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 2,263,971.03	\$ 8,789,330.22
		94,531.29
(1)	2,340,689.38	3,721,101.41
(1)	38,168.94	2,169,260.85
		5,095.73
(1)	1,063,673.20	1,673,406.13
	<u>5,706,502.55</u>	<u>16,452,725.63</u>
(2)	328,131.35	4,385,507.20
(2)	242,396.84	7,173,672.70
(2)	5,184,912.71	4,647,525.48
		113,868.12
		33,157.17
		21,170.34
		71,982.45
		1,011,039.20
		186,418.57
		33,631.06
	<u>5,755,440.90</u>	<u>17,677,972.29</u>
	<u>(48,938.35)</u>	<u>(1,225,246.66)</u>
	200,500.00	278,525.00
	65,379.00	69,704.25
		400,000.00
		(40,000.00)
(3)	<u>265,879.00</u>	<u>708,229.25</u>
	216,940.65	(517,017.41)
(4)	<u>4,371,523.55</u>	<u>9,809,885.33</u>
	<u>\$ 4,588,464.20</u>	<u>\$ 9,292,867.92</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2012***

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

With the exception of the following, the Commission budgets on the modified accrual basis of accounting:

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

(1) Revenues	
Jail Complex Fund	\$ 40.00
Gasoline Tax Fund	2,982,499.84
Public Roads, Buildings and Bridges Fund	2,462,222.30
Mineral Severance Tax Fund	49,980.22
Environmental Fund	<u>211,760.19</u>
(2) Expenditures	
Gasoline Tax Fund	3,756,250.34
Public Buildings, Roads and Bridges Fund	1,756,523.52
Environmental Fund	<u>242,667.04</u>
(3) Other Financing Sources/(Uses), Net	
Gasoline Tax Fund	<u>\$ 265,879.00</u>

Net Increase in Fund Balance - Budget to GAAP

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

\$ 5,706,502.55

(5,755,440.90)

265,879.00

\$ 216,940.65

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2012***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 1,171,236.00	\$ 1,171,236.00	\$ 878,488.99
Miscellaneous	24,000.00	24,000.00	7,197.98
Total Revenues	1,195,236.00	1,195,236.00	885,686.97
Expenditures			
Current:			
General Government	1,065,236.00	1,093,936.00	885,686.97
Capital Outlay	130,000.00	101,300.00	
Total Expenditures	1,195,236.00	1,195,236.00	885,686.97
Excess (Deficiency) of Revenues Over Expenditures			
Net Change in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	\$	\$	\$



Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 878,488.99
	7,197.98
	<u>885,686.97</u>
	885,686.97
	<u>885,686.97</u>
<u>\$</u>	<u>\$</u>

Schedule of Funding Progress
For the Year Ended September 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2012 ⁴	\$12,061,614	\$14,721,828	\$2,660,214	81.90%	\$6,668,433	39.90%
09/30/2011 ²	\$11,701,352	\$15,463,827	\$3,762,475	75.70%	\$7,473,026	50.30%
09/30/2010 ³	\$11,549,986	\$14,697,907	\$3,147,921	78.60%	\$7,049,741	44.70%

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

² Reflects changes in actuarial assumptions.

³ Reflects the impact of Act Number 2011-17, Acts of Alabama, which closes the DROP program to new applicants after March 24, 2011.

⁴ Reflects change to interest smoothing technology.

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2011.

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012***

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 Economic and Community Affairs</u>		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (M)	14.228	CY-CM-PF-10-019
<u>U. S. Department of the Interior</u>		
<u>Direct Program</u>		
Payments in Lieu of Taxes	15.226	N.A.
<u>U. S. Department of Justice</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
ARRA - Violence Against Women Formula Grants, Recovery Act	16.588	09-EF-RPR-013
Violence Against Women Formula Grants	16.588	11-WF-LE-001
Sub-Total Violence Against Women Formula Grants		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-DJ-01-019
<u>Direct Program</u>		
Equitable Sharing Program	16.922	N.A.
Total U. S. Department of Justice		
<u>U. S. Department of Labor</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Workforce Investment Act (WIA) National Emergency Grants	17.277	0F200014
<u>General Services Administration</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	N.A.
Sub-Total Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
11/22/2010-03/29/2012	\$ 395,279.78	\$ 361,358.48	\$ 320,378.48	\$ 320,378.48
10/01/2011-09/30/2012	2,556.00	2,556.00	2,556.00	2,556.00
09/01/2011-12/31/2011	24,968.00	18,725.96	18,725.94	18,725.94
09/01/2011-08/31/2012	203,466.67	152,599.68	152,599.68	152,599.68
	<u>228,434.67</u>	<u>171,325.64</u>	<u>171,325.62</u>	<u>171,325.62</u>
10/01/2011-09/30/2012	130,133.17	97,599.83	97,599.83	97,599.83
10/01/2011-09/30/2012	23,219.20	23,219.20	23,219.20	23,219.20
	<u>23,219.20</u>	<u>23,219.20</u>	<u>292,144.65</u>	<u>292,144.65</u>
05/16/2011-12/23/2011	22,228.65	22,228.65	7,589.22	7,589.22
10/01/2011-09/30/2012	2,643.61	2,643.61	2,643.61	2,643.61
	<u>2,643.61</u>	<u>2,643.61</u>	<u>2,643.61</u>	<u>2,643.61</u>
	\$ 445,927.24	\$ 412,005.94	\$ 625,311.96	\$ 625,311.96

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012***

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 Emergency Management Agency</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1971-DR-AL
Hazard Mitigation Grant	97.039	DR-1789-0016
Hazard Mitigation Grant	97.039	DR-1835-0003
Hazard Mitigation Grant	97.039	DR-1835-0004
Hazard Mitigation Grant	97.039	DR-1835-0005
Hazard Mitigation Grant	97.039	DR-1866-0012
Hazard Mitigation Grant	97.039	DR-1971-130
Hazard Mitigation Grant	97.039	DR-1971-150
Hazard Mitigation Grant	97.039	DR-1971-265
Sub-Total Hazard Mitigation Grant (M)		
Emergency Management Performance Grants	97.042	1EMS
Emergency Management Performance Grants	97.042	2EMF
Sub-Total Emergency Management Performance Grants		
<u>Passed Through Alabama Department of Homeland Security</u>		
Interoperable Emergency Communications	97.055	0IET
Homeland Security Grant Program	97.067	9SHL
Homeland Security Grant Program	97.067	0CCL
Homeland Security Grant Program	97.067	0SHL
Sub-Total Homeland Security Grant Program		
Total U. S. Department of Homeland Security		
<u>Other Federal Assistance</u>		
<u>U. S. Department of Justice</u>		
<u>Direct Program</u>		
Drug Enforcement Grants	N.A.	N.A.
Total Other Federal Assistance		
Total Expenditures of Federal Awards		

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

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 445,927.24	\$ 412,005.94	\$ 625,311.96	\$ 625,311.96
10/01/2011-09/30/2012	90,381.97	90,381.97	90,381.97	90,381.97
11/16/2010-11/16/2013	58,450.00	40,000.00	4,000.00	4,000.00
08/12/2011-09/15/2012	23,923.00	17,942.25	13,492.28	13,492.28
08/12/2011-09/15/2012	23,923.00	17,942.25	13,492.28	13,492.28
10/01/2011-09/30/2012	298,304.00	223,728.00	163,102.00	163,102.00
03/29/2012-03/28/2015	39,465.00	28,000.00	8,000.00	8,000.00
03/27/2012-03/26/2015	289,433.00	194,528.00	47,375.00	47,375.00
03/01/2012-02/28/2015	319,426.00	211,936.00	119,375.00	119,375.00
04/16/2012-04/15/2015	66,705.00	42,832.00	12,000.00	12,000.00
	1,119,629.00	776,908.50	380,836.56	380,836.56
10/01/2011-09/30/2012	11,916.00	11,916.00	11,916.00	11,916.00
10/01/2011-09/30/2012	51,091.00	47,805.00	43,024.50	43,024.50
	63,007.00	59,721.00	54,940.50	54,940.50
06/01/2010-05/31/2013	30,000.00	30,000.00	30,000.00	30,000.00
08/01/2009-07/31/2012	18,000.00	18,000.00	18,000.00	18,000.00
08/01/2010-07/31/2013	12,932.27	12,932.27	12,932.27	12,932.27
08/01/2010-07/31/2013	24,200.00	24,200.00	24,200.00	24,200.00
	55,132.27	55,132.27	55,132.27	55,132.27
	1,358,150.24	1,012,143.74	611,291.30	611,291.30
10/01/2011-09/30/2012	97,557.43	97,557.43	97,557.43	97,557.43
	97,557.43	97,557.43	97,557.43	97,557.43
	\$ 1,901,634.91	\$ 1,521,707.11	\$ 1,334,160.69	\$ 1,334,160.69

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2012***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Elmore County Commission 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 funds 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 #14.218) were used for testing.

Additional Information

Commission Members and Administrative Personnel
October 1, 2011 through September 30, 2012

Commission Members		Term Expires
---------------------------	--	---------------------

Hon. Earl Reeves	Chairman	2012
Hon. Joe Faulk	Commissioner	2012
Hon. Mark Hragyil	Commissioner	2012
Hon. Cecil Daugherty	Commissioner	2012
Hon. David Bowen	Commissioner	2012

Administrative Personnel

Henry Booker	Administrator	June 2012
Lynda Feaga	Administrator	September 2013

***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 Elmore County Commission as of and for the year ended September 30, 2012, which collectively comprise the Elmore County Commission's basic financial statements and have issued our report thereon dated January 5, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elmore County Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***. We noted a certain matter that we have reported to the management of the Commission in the Schedule of State and Local Compliance and Other Findings as 2012-001.

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

January 5, 2015

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

Independent Auditor's Report

Compliance

We have audited the Elmore County Commission's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Elmore County Commission's major federal programs for the year ended September 30, 2012. The Elmore County 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 Elmore County Commission's management. Our responsibility is to express an opinion on the Elmore County 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 Elmore County 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 Elmore County Commission's compliance with those requirements.

In our opinion, the Elmore County Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

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

Internal Control Over Compliance

Management of the Elmore County 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 Elmore County Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Elmore County Commission's internal control over compliance.

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

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

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

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

January 5, 2015

This Page Intentionally Blank

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ 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

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
97.039	Hazard Mitigation Grant

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

Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

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.	

Auditee Response/Corrective Action Plan



Elmore County Commission

100 East Commerce Street, Suite 207 • Wetumpka, Alabama 36092
Phone (334) 514-5841 • Facsimile (334) 567-1109 • www.elmoreco.org

David Bowen
Chairman

Mark Hragyil
District 1

*James (Trey)
Taylor*
District 2

Joe Faulk
District 4

*Stephanie
Daniels Smoke*
District 5

Corrective Action Plan For the Year Ended September 30, 2012

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profits Organizations*, Section .315(c), the Elmore 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, 2012.

Finding Ref. No.	Corrective Action Plan Details
---------------------------------	---------------------------------------

Other Matters in Schedule of State and Local Compliance and Other Findings For the Year Ended September 30, 2012

2012-001 **Finding:** The Code of Alabama 1975, Section 39, contains provisions of law pertaining to public works. Public works contracts in excess of \$50,000.00 are required to be awarded by sealed bid. The Commission executed contracts for jail renovations totaling \$375,000.00 without letting bids or otherwise complying with the provisions of the Code of Alabama 1975, Section 39.

Response: Each project will be scrutinized more thoroughly to confirm the requirement of a bid process and that it satisfies all applicable laws and codes before execution of said project. Extra emphasis will be taken in cases where uncertainty exists as to the classification of the project. This plan of action to review each project has been implemented by Grace McDuffie as of September 30, 2014.